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OF
THE HOUSE OF MORGAN
EXPOSED
AND
HOW TO DEFEAT IT



H. L. LOUCKS

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The Great Conspiracy

— OF —

The House of Morgan
Exposed

— AND —

How to Defeat it

H. L. LOUCKS

SECOND EDITION

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1920

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Equal Opportunity For All. That's All.

Dedicated to the men and women who have tried to make this good old world the better for having lived in it.

Object of the study:—To free labor from all unnecessary tax for the exchange of labor and labor's products.

By H. L. LOUCKS,
Watertown, South Dakota

AUTHOR OF

The New Monetary System, 1893.

Government Ownership of Railroads and Telegraphs, 1894

Farm Problems and State Development, 1914.

Common Sense Rural Credits, 1915.

A FOREWORD.

I was requested by The Equity Co-Operative Exchange of St. Paul, Minn., in December, 1915, to deliver an address before the largest gathering of practical co-operative farmers ever assembled, to celebrate a substantial victory by The Equity Co-Operative Exchange, over the Minneapolis Chamber of Commerce, in the marketing of the farmers' grain, by the farmers themselves.

I was unable to be present, but prepared the address, and it was read in part by Grant S. Youmans, of Minot, and in part by Chairman Lee, of Valley City, N. D.

The very flattering reception of the address by that immense audience, estimated at between 8,000 and 10,000, caused me to believe that there would be a demand, as I knew there was a need, for the information I could give along the lines of that address, and which could be only briefly touched on at such a meeting.

I have taken that address as the text for this book, and have developed several phases of it in such a plain manner, and with the official proof for the charges made, that I hope it will prove to be a ready reference for our speakers, more especially on the paramount issue now up for solution by the American people, viz.: Our Medium of Exchange for the future. Shall it be legal tender, lawful money, issued by the government, and administered without private profit, as a public utility; or shall it be, as at present intended, and administered, bank ledger credits, wholly controlled by the bankers as to amount of credit, and rate of interest to be charged, and the more dangerous proposition of the banker loaning a book credit, and insisting on the obligation being made payable in a money that has disappeared from circulation in Europe, Asia and Africa, and practically so in the

Americas. What little there is I claim will be hoarded in the vaults of the creditors, to be secured on payment of a premium only.

The meeting was a farmers' meeting, and the address was primarily prepared for their information, and I developed it as such, not with a view of asking for any special privilege, or favor; just that agriculture may be placed upon an equal footing with other industries.

Briefly as possible, to make the issues plain, I try to show the discriminations against agriculture, in legislation, transportation, and finance, and its effect upon all legitimate business.

An expose of the insincere, buncombe interest in Rural Credits by the practical politicians in distress—before election—and the gross betrayal of the farmers after election.

A practical plan for state development by the issue of money based on what is universally conceded to be the best security in the world—productive land—administered without private profit, with the maximum of security, and at the minimum of expense, by the use of our present political units.

A general treatise of money and its functions.

An expose of the greatest conspiracy ever conceived by the brain of men to control all the commerce and industry of a great nation, through a private monopoly of money, the life blood of commerce, by a group of avaricious, conscienceless financiers, whom for brevity I shall name The House of Morgan.

I trace that conspiracy from 1862 up, but more especially during its rapid development the past ten years, or from the date of the Bankers' Panic of 1907, when J. P. Morgan, Sr., was crowned Sovereign by the President of the United States, and The House of Morgan has been supreme in legislation ever since, until now they have full legal control of the issue of money, and the complete control of the two dominant political parties.

It has never been my custom to criticise, or try to tear down, unless I think that I can build better. In

accord with that principle I point out how we may free labor from the power of money to oppress.

The subject is such a vitally important one that it would require several volumes to cover it thoroughly.

I offer this as a first instalment, as it were; the result of 30 years' careful study and investigation, with an open mind; seeking the TRUTH for TRUTH'S sake.

Because of the very great and vital importance of the problem, I realize fully that there is very much left for future development and explanation.

To this I propose to devote my entire time and ability, as opportunity offers, from the platform, or by means of the press, UNTIL WE WIN.

I am sure that my foundation is builded on the solid rock of justice, equity and righteousness. So believing, I am willing to meet all comers in the defense of my position.

The Author.

AGRICULTURE OUR GREATEST INDUSTRY.

(Equity Co-Operative Exchange address at St. Paul, Minn., December, 1915, Developed and Extended.)

Every intelligent citizen recognizes the fact that agriculture is our greatest industry, and that on it depends the prosperity of every other legitimate industry, business or profession.

Then why is it that in this year of abnormal conditions in the world's markets favorable to us, and the greatest crop in our history, that there should be this unusual activity manifested by political farmers for the betterment of agricultural conditions, as evidenced by the large number of conventions and conferences being held "to aid the farmer"?

Is it in response to any signal of distress from the farmers?

Perhaps a knowledge that the farmers are slowly waking up to the fact that they have been made "the goat" long enough, may have something to do with it, and that this year of great agricultural prosperity will be a good time to sidetrack us on minor issues. Can it be done again?

To succeed in any business, calling or profession, you must have a pride in that calling, an ambition to excel, and to make the home and environments such that your family will want to make their homes near the old homestead. This cannot be done unless you understand the best methods of production, distribution and marketing, the latter being by far the most important.

Better Marketing Very Important.

No matter how close you may adapt your crops to your soil; how efficient you may have been in your work of production; nor how fortunate you may have been in climatic conditions to produce a good crop,

or a bumper crop, there is one thing you must ever bear in mind: that it is not the amount you produce that builds up the farm, the home and the state, but the net profits of that production.

Then it follows that the marketing of your crop should be your primary consideration. Profitable farming is more important to you than better farming, and the more closely you unite the two, the more successful you will be.

You are to be congratulated on this second step forward that you have taken in marketing the product of your own labor, and the success of which you are here to celebrate was accomplished on your own initiative, without the help of any of the political farmers who are now so freely and actively meeting, conferring and discussing the best methods for you to follow to increase production, many of whom have been very active in trying to prevent you from establishing an independent grain exchange of your own.

Of course we should appreciate their kindly interest and advice, but in view of our past experience we should remember the fable of the stork and the farmer; it is not safe to depend on others; we must do it ourselves; and why not?

Agriculture is the only industry that permits another class or group of men, who neither produce nor aid in production, to monopolize the marketing, and in doing so to insist that to insure prices we must have rapid and constant changes; and to insure the changes, they must sell from one hundred to two hundred times as many bushels as are actually sold.

This stigma on agriculture has been tolerated quite too long. You have demonstrated that it is not necessary. You are removing the stain, and your effort should be appreciated by every self-respecting farmer.

Every other business, industry and profession in the nation, including those so active in conferences and conventions of late, would resent the farmers calling conventions and conferences to advise them how to manage their business, more especially the

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selling end. They would neither attend the conferences nor heed our suggestions. Is it not about time that the farmers declared their majority, and declined to be treated as wards of other business interests?

I have watched those conferences and conventions very closely, and have seen absolutely nothing new of real value to our industry.

They carefully avoided all of our present day vital issues.

Evidently they had never heard of your great struggle to secure a free and open market for your own grain.

Rural Credits was discussed by such bankers as Myron T. Herrick, one of the chief promoters of fake rural credits, to relieve the distress of a group of practical politicians, who guessed wrong on reciprocity, and is now one of our most active opponents. His remedy would seem to be the "Repeal of the Sherman anti-trust law."

The transportation problem was discussed by a railroad official, who failed to mention the extra 30 cents per bushel transportation tax levied on the 1915 crop of wheat, or the effect it had on the farmer.

The money problem, proper, the most important by far, was not discussed at all.

Co-operation, principally by professionals, and a lot of experimental recommendations wholly impracticable because of present discriminations against agriculture, and not one word against the real discriminations.

There were a few representatives of organized agriculture present, very few. They must have felt lonesome, but mark you that it will be the superficial, imaginative, experimental and impracticable resolutions of the great Chicago convention that will be referred to in congress as the needs of agriculture, and not the real practical things demanded by the representative farmers there and here and at the other annual meetings of organized farmers.

The object is plain. It is to tide over another presidential campaign on sham, pretence, and bun-

combe. It is wonderful the interest taken in the farmers for a year before a presidential election. Will the farmers be caught again? Oh, yes, millions of them, unless we can wake them up.

Equal Opportunity for Agriculture Demanded.

The farmers and our true friends at this and every other convention should demand and insist on the one fundamental principle, that in so far as legislation is concerned, agriculture must be placed upon an equal footing with any other business or industry in our own nation, and be provided with as good facilities for production, transportation, distribution and marketing as are provided for our competitors in our own and foreign markets, and firmly resolve that we will continue the fight until all discriminations have been removed and equal opportunity achieved.

This convention is different from any of the others in that it marks a new era in the farmers' movement, not only in the interest of the producers, but the consumers also. It is a great gathering to celebrate the first substantial victory of the organized co-operative farmers in their efforts to reach the consumer without paying an unnecessary tribute to a private monopoly, that has assumed that we were not capable of marketing the products of our own labor, and have appropriated and enjoyed it so long as to consider it a vested right.

George Loftus, the Leader.

The fight has been a long and a hard one, for with private monopoly "an injury to one is the concern of all," and by means of interlocking directorates and mutual interests they have had the direct and indirect aid of money monopoly, transportation monopoly, and, if you please, of the legislative, or political, monopoly as controlled by both the dominant political parties. Under their directions it has been an unequal contest, and you have succeeded only because of the indomitable courage, ability and zeal of a Loftus.

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He asked no quarter and gave none. That is the only standard for success in fighting private monopoly, and I rejoice with you that it has been made so plain in this contest. I hope the standard will never be lowered. I know in part what it means, for co-operating with the farmers of North Dakota and Minnesota, as president of the Dakota Farmers' Alliance, I began this contest in 1886, and the seed that was then sown is now being harvested in part. It will be an inspiration to the younger men now entering into the greater contest for the total elimination of private profit from the administration of the medium and means of exchange and all public utilities.

The business men of St. Paul should be congratulated for their good business sagacity and foresight in co-operating with you.

But do not forget that "eternal vigilance is the price of liberty."

This is only your second step on the way to the consumer; first, the interior co-operative elevator, and now the first terminal elevator and grain exchange.

While you have been trying to make these two steps, private monopoly has gained a mile and secured a perfect monopoly of money, the medium of exchange, and of the railroad and ocean transportation, whereby a little later they will take all they think you will stand and continue production. They will not "kill the goose that lays the golden egg."

The average farmer is a patient GOOSE. He not only gives up the "golden egg," but yields the feathers also for the plucking.

He surely is a silly GOOSE.

By co-operation, you saved, perhaps, five cents per bushel at your local elevator, while the public service corporations, by rail and water have increased the ocean transportation tax alone 30 cents per bushel. (Note. This has since been increased to 50 cents and are gradually but steadily increasing the transportation tax by rail on all farm products. This is the way they have gained a mile while you have taken these two steps.)

But you have won and are consolidating the first trench, and have captured a part of the second trench; we must go on and complete the work so well begun.

The farmers of the northwest are looking to you more than to any of the other many gatherings, conventions and annual gatherings that are being held, for a practical advanced program for the future.

"Equal opportunity for all" is the rock on which you should build.

Free Trade for One—Free Trade for All.

As an illustration of what I mean, if we are to have free trade for farm products we should have free trade for all products.

Free Money for One—Free Money for All.

If any business in our own country secures the use of money or credit from our federal unit free of interest, so should agriculture.

If our competitors in the world's markets and now in our own, have government-owned transportation by land or water for farm products to market without private profit, so should we, or we are handicapped in the competition.

If our competitors have publicly owned and operated terminal elevators, without private profit, so should we.

These things we are entitled to, and should demand and insist on.

I have no use, and neither should you have, for those practical politicians who will advise you, as I heard the president of one state organization of farmers say publicly that all we should ask for is what they (private monopoly) will concede. They have never asked us what we were willing to concede, but have taken what they wanted. If you are willing to accept that advice, I can tell you in advance just what you will get; in the words of good old Jerry Simpson, "you will get just what is left in the hen's nest when the egg is taken out."

We did not succeed in building up our interior farmers' co-operative elevator companies by permission of the old line elevator companies, nor have you built up

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The Equity Co-Operative Exchange by permission of concessions granted by the Minneapolis Chamber of Commerce. No, you must continue to stand firm as independent American citizens, insisting upon being "placed upon an equal footing with other business men and masters of industry as they should"(Wilson).

DISCRIMINATIONS AGAINST AGRICULTURE.

The discriminations against agriculture, and failure to protect our interests in the past, should admonish our farmers that it is utterly useless to longer depend on the representatives of other industries, professions, or political parties to promote and safeguard our interests. Unorganized agriculture has always borne the burdens of all communities, states and nations.

Agriculture is the only great industry (except mining) that by natural or climatic conditions is forced to take chances. When the farmer plants his seed, he has no guarantee that he will have a full crop, a partial crop, or any crop at all. He must continue the expense of cultivation; for destruction by hail, drouth, rust or frost may come on the eve of harvest, or during harvest. In my own personal experience, in one of our best agricultural counties (Deuel) on the eastern border of the state, this has happened to me more than one-third of the time.

This is what we might call a natural discrimination, for which the farmer is supposed to be compensated by an occasional bumper crop, but seldom considered by the professional farmer. But the loss and inconvenience are not limited to the farmer. If the average farmer loses his crop in whole or in part, he is unable to pay all of his bills. This embarrasses his creditors, and they in turn their creditors, until it reaches the manufacturer. In addition he must limit his purchases, and this in turn cuts down the trade of the local merchant, the wholesaler, the jobber and the manufacturer. It is an endless chain of inconvenience to general business.

National Insurance for Farmers.

It would seem reasonable to suggest that some system of national insurance might be provided to compensate the farmer for labor performed, up to a

maximum of five dollars per acre. This would prove as great a boon to the business industries as to the farmer; and in view of the fact that the farmer pays his share of the increased cost of the products of all the protected industries without the slightest compensation, direct or indirect in return, it would seem to be a fair and equitable proposition.

Agriculture is our only great industry that is not protected from foreign competition in our home market. Every other industry, even those manufacturing farm products into food products, has tariff protection to the extent of fair interest on investment, the difference in the cost of labor at home and abroad, with a reasonable profit added, the protected manufacturers to be the judges of what is "reasonable," and the cost of transportation to our market.

It is the one and only great industry against which the efforts of the past and present administrations have been directed in their efforts to reduce the cost of living; the former by a reciprocity agreement with Canada, to admit farm products only free of duty, while protecting food products manufactured from farm products by a high tariff.

The Republican party tried its best to place farm products on the free list and failed.

The Democratic party tried, and succeeded.

The "Finished" Product.

In all other industries the manufacturer knows what the finished product will cost, and fixes the price so as to realize a profit. In fact, most manufacturers now sell in advance of manufacture. If they cannot sell at a profit, they quit manufacturing. The success of any industry depends on sale at a profit.

The farmer not only takes chances on production, but has no assurance whatever as to the price. It is our only industry that is forced to accept of the world's uncontrolled law of supply and demand.

A large world's yield means a low price for our crop, even though ours has been light. We must accept of the world's price, less the cost of transporta-

tion to the world's market, and this for the whole crop, even though but a small part is exported. It does not seem fair that the cost of transportation and handling to the world's market should be charged or deducted from the price of the four-fifths consumed at home; but it is an economic law that governs any unprotected industry producing a surplus for export. Our manufacturers occasionally may have to pay the freight on a small sacrifice sale abroad, but they do not on what is consumed at home.

Agriculture is the only great industry that pays freight both on what we produce, and also on what we purchase to consume or use.

Every other industry in the nation pays as much, if not more, attention to distribution and marketing as to production. Not one of them would last a year if they ignored these common-sense business principles as the average farmer does.

The men who finish the farmers' work, by buying, distributing, transporting, or manufacturing farm products into food products to reach the consumer, each in turn makes a certain profit, whether the farmer does or not.

Agriculture is the only great industry conducted without any special privilege, bonus, subsidy or protection.

It is the one great industry upon which the trusts and public service corporations conducted as private monopolies feed, without sharing the profits in return.

Farmer's Necessity is Speculator's Opportunity.

The average farmer must sell the product of his year's labor as soon as possible after harvest, while the consumer buys for daily needs only. This made an opportunity for a group of non-producers to organize a system of storage elevators and grain exchanges to buy for speculation and hold for the consumptive demand, which enables them to fix the price for both producer and consumer. Their sole object being profit, they force the price down as low as possible when they buy, and up when they sell.

The farmer lost on an average ten cents per bushel for the last thirty years by the decline in price between May and September as per the market reports. The farmer loses, but the consumer does not benefit. He pays the monopoly price at all times. No other industry would permit such a practice with its products.

Co-operation in selling at the interior will never solve this problem. The farmer must be aided to hold for the consumptive demand, and in time manufacture farm products into food products, that his produce may be sold to the consumers' clubs, or associations, direct.

In no other business, industry or profession, do those engaged in it tax themselves to advertise to try to secure more competitors in their line of work, but they all unite with the good-natured farmer in trying to secure more farmers, more farming, greater production, and lower prices for the product of the farm.

Recent Discriminations By Congress.

During the late Republican administration, the tariff was revised to suit the manufacturers.

The initial steps taken for a complete change in our financial system to suit the national bankers' association.

The junketing trip to Europe to investigate banking conditions as a shield for the introduction of the Aldrich Central Bank plan.

The Aldrich-Vreeland currency law to provide for the issue of national bank notes on "other securities" than national bonds.

The Act of March 2nd, 1911, preparing the way for the demonetization of gold by decoinage; and the strong recommendation of the Aldrich Currency Bill.

Everything possible was done for the big interests who had full control of legislation, and then to shift the blame for the high cost of living on the farmer, a special effort was made to decrease the price of farm products by a reciprocity agreement and open door for Canada.

Then followed the present Democratic administration which revised the tariff, in such a way as to amply protect the manufacturers, and sacrifice the farmers by placing farm products on the free list.

The enactment of the Aldrich Currency Bill, with a few foreign frills, and a change of name, covering the same plan, but much bolder.

The usual promise to the farmer, that it was designed primarily for his benefit, to get his support, with the usual result—nothing in it for agriculture.

The amendment of the anti-trust laws, to give a clear way and clear sailing for "big business," freed from legal annoyance, so satisfactory to the trusts as to be approved by every one of their representatives in both branches of congress.

The change of the Interstate Commerce Commission by appointments to make it a pro-railroad board, instead of one to regulate and control in the interest of the people.

TRANSPORTATION DISCRIMINATIONS.

The farmer pays the cost of transportation to the terminal market, wherever that market may be, just as certainly as he does from the farm to his home market town. It is so hard to get the average farmer to understand that simple, but very important, proposition.

Transportation a Tax.

Transportation is a tax upon his labor, just as certain as any tax levied by his township, county, state or nation. He complains quickly of a minor direct tax and pays no attention to this major, indirect tax, which amounts to many times more than all of the others put together. He readily recognizes the advantage of saving a man's wages by having a boy or girl drive a second team with him to market, but does not understand that a raise of one or two cents per hundred in freight rates will offset that saving.

Just in proportion as the cost of transportation and marketing increases, the price received by the farmer decreases, and vice versa.

Railroads Public Utilities.

Our railroads are public highways, chartered by the public, to serve the public. All they are entitled to is a reasonable compensation for services performed, and the employer, not the employe, should be the judge. In no well managed private business does the employer continually complain, or argue, or reason with an inefficient, unfaithful employe, or hire a foreman to try to regulate or control him. He discharges him. It is a poor business to quarrel with your employes.

This is just as true of a public employe as of a private employe, of a public service corporation, as of an individual.

Rates Increase With Crop Decrease.

In 1911 when we in the Northwest had a very short crop of grain, much less than the labor cost of production, our railroads increased the rate on grain from one to two cents per hundred. The ocean rate was increased 2.8 cents per bushel. A total increase of four cents per bushel.

Commissioner of Corporations Porter reported to President Taft that he had the proof that the railroad corporations controlled the ocean traffic. Then the increased rate for 1911 of four cents per bushel resulted in four cents per bushel more for the railroads and four cents per bushel less for the farmer. How much of an extra tax was that on you, Mr. Farmer?

For the same crop year of 1911 our railroads reduced the freight rate for our western Canadian competitors in Saskatchewan and Alberta, coming into our Minneapolis and Duluth markets, and on east, from 12 to 25 cents per hundred. Our "Great Empire Builder" had reached across the boundary and annexed another "zone of plenty" which he was anxious to develop and exploit, and did not hesitate to do so at our expense.

What difference does it make to our farmers whether our competitors are favored with a reduction in tariff rates or transportation rates?

What effect does it have when they are favored with both? It means that they derive an advantage over us in reaching the world's markets.

The discrimination in favor of our Canadian competitors remained in force for the crop of 1912, and so far as I know is still in force.

The increase in our local rate remained for the bumper crop of 1912, but the ocean rate was increased by another four cents per bushel.

Eight cents per bushel more for the railroads, and eight cents per bushel less for the farmers, to which they were entitled by the world's law of supply and demand.

Mr. Farmer, how much of a tax was that on you? This is based on wheat for brevity, but applies to all farm products of which we produce a surplus for export.

If the crop is short, they increase the rate to compensate them for loss of tonnage. If the crop is large they increase the rate because the farmer, having raised a large crop, can the better afford it.

Ocean Rates Vastly Increased.

For the crop of 1914, taking advantage of the European war, on the excuse of war risks, they raised the ocean rates another 20 cents per bushel. As the insurance companies were also trying to coin misery into money, the government organized a temporary war insurance department, insuring grain for one per cent—less than two cents per bushel. But instead of lowering the rate, they increased it another 12 cents per bushel, making the total increase 32 cents per bushel. The law of supply and demand said that you farmers were entitled to that extra 32 cents per bushel.

¶ The law of monopoly said that it belonged to those who had the power to take it, and, trusted as our public servants, they took it for their own private use.

Secretary of Agriculture Houston thinks that private monopoly of money and transportation is all right; that the farmers are too "sturdy and independent" to seek or accept legislative redress from the oppression, or greed of money or transportation monopoly.

On page one, monthly crop report of date January 31st, 1916, we find: "Ocean freight rates on canned and cured meats from New York to Liverpool were quoted at \$1.25 per hundred pounds in the first week in January, 1916, or about five times the rates quoted prior to 1914."

In report of date July 15, 1915, page 10, we find that the average rate on ocean transportation for wheat from New York to Liverpool for the five years 1906-1910 was 3.3 cents per bushel; 1911, 4.2, 1912, 7.7; 1914, 7.5. In June, 1915, the rate had advanced to 26 cents.

In report for December 30th, 1915, we find the rate (p. 80) 37.2 cents.

In report of date March 16th, 1916 (p. 26), the rate is quoted 48 cents.

On food products, manufactured from farm products, the rate had increased five times. On the raw farm product (wheat) the rate had increased fifteen times.

The Secretary makes neither comment nor recommendation.

As the special cabinet guardian of agriculture, he does not seem to realize that that 40 odd cents per bushel belonged of right to the farmers who grew that wheat. I shall assume that the Secretary was highly gratified that the farmers were so "independent" that they could yield that very large sum to our railroad corporations.

Now, Mr. Farmer, do not throw away your pencil in disgust, but just figure up what you might have done with that extra 40 odd cents per bushel to which you were entitled, had we had publicly owned and operated transportation by land and water. When you have done so, show your figures to your friends,

the business and professional men in your town, and ask them what they think of it. Call a meeting of your neighbors in your school house and talk it over with them. It may start them thinking.

I have noticed only one small cargo of wheat captured, or destroyed, on each the Atlantic and Pacific oceans. The one per cent insurance has proven ample, the premiums paid for the 14 months up to November 10th, 1915, being \$2,127,976, and the net losses paid \$695,984. Surplus premium on hand \$1,431,992. A splendid object lesson in government insurance.

Why not make it permanent? Why not extend to other lines?

Insurance has now become a public necessity and should be administered as a public utility.

"Bulk" and "Package" Freight.

Another very unfair and expensive discrimination against agriculture in connection with ocean transportation is practiced in the classification of bulk and package freight. Bulk means farm products and package means manufactured products. As shown above, bulk rates were increased three times as much as package rates.

For a change in package rates ninety days' notice is required. Bulk rates may be changed daily, and have been changed more than once in a day.

The farmer pays for this uncertainty, as the dealer must protect himself against a sudden change.

Public Highways to the North and South, Why Not for the Center.

The federal government is building a railroad in Alaska to develop our extreme northern country, and paying for same by taxing the whole people. We in this Northwest are paying our share of that expense.

To the south, the Panama canal was also built by taxation of the whole nation. It is a splendid public highway, and will be of inestimable benefit to the West, the South and the East, in reducing transportation rates for them.

Alberta, our Canadian neighbor, claims to be "the future bread-basket of the world." Wide awake to the possibilities of a public highway to the south, they claimed that if they had a modern terminal elevator at Vancouver, to handle wheat in bulk instead of in sacks, they could save 14 cents per bushel in freight rates to Liverpool, and the Dominion government promptly responded.

We in the Northwest, the real bread-basket of the world, have helped one of our principal competitors to undersell us in the world's markets, and benefit to the extent of 14 cents per bushel by the use of our public highway, operated by our government, without private profit.

In view of the foregoing facts, and that we have not been compensated to the extent of a nickel a ton in transportation rates, would it be suggesting too much that we now proceed to help ourselves to a public highway to the ocean, in fact one to the east, and one to the gulf, to the south, to be owned and operated as real public highways at cost of transportation.

I might go on almost indefinitely, but the foregoing should be enough to arrest your attention, and increase your desire for "equal opportunity" for agriculture at home and abroad. Without that we cannot expect permanent progress and development.

MONEY DISCRIMINATIONS.

The worst form of discrimination against agriculture is that for the use of money, or credit. Money being a public utility, created by the national unit to facilitate the exchange of labor, and the products of labor, the government should have and keep absolute control of its administration. It should not permit discrimination against any class, business or industry. It should at all times provide a sufficient quantity for the free exchange of labor and labor products, and carefully guard against its use and abuse for exploitation or private profit.

But of this I will deal more fully later.

To offset the effects of the attempted discrimination against agriculture by means of the reciprocity agreement with Canada, a movement was inaugurated by the National Bankers' Association, quickly taken up by the national Republican campaign committee, and Ambassador Herrick authorized by President Taft to gather and submit European statistics, etc. The Democrats also became interested, and the zeal and interest displayed by the politicians was wonderful, before election.

The reports as published and distributed broadcast showed that the farmers of Europe had the use of money for a lower rate of interest than commerce and industry. But the reverse of conditions exists here, and for from one-third to one-half of what our farmers were paying. But that estimate was based on eight and a half per cent for farm land loans, which was too low. We must consider this question from the rate paid by the average farmer, and I have estimated the rate for the Northwest at 13 per cent.

After hearing from J. Sprunt Hill of North Carolina I concluded that my estimate was too low for the West and South. This was followed up by a remarkable address by the Comptroller of the Currency

before the Kentucky Bankers' Association, and later by his appearance before the Rural Credits Congressional Committee, and his official report for 1915, and all past estimates will have to be revised very materially.

Farmer Pays Highest Interest Rate.

In re discrimination; in answer to questions of members of the committee, as to where usury was practiced worst (see p. 31 of hearings), Mr. Williams said: "Principally certain portions of the South and the Southwest and the Northwest. In others words, they prevail principally in the agricultural regions where rates should be normal. Yes. In every part of the country today business men get money at very low rates, except when it comes to the farmer. Now is the time to help the farmer. Nearly all of these extortionate rates are rates charged to the poor farmer."

The rates of interest given ran all the way from 12 per cent to 2,400 per cent.

Comptroller Williams is to be commended for the splendid work he has done in trying to force obedience to our laws. In addition he has given some very valuable information by which the several states can very materially reduce the rate of interest in their respective states.

For instance, Section 5197 of the revised statutes of the United States, being part of the national bank act, provides that a national bank "may take, receive, reserve, and charge on any loan or discount made, or upon any note, bill of exchange, or other evidence of debt, interest at the rate allowed by the laws of the state or territory, or district where the bank is located and no more."

How to Reduce the Rate of Interest.

All that the state has to do, then, to reduce the rate of interest to six per cent is to enact a law making the legal rate of interest six per cent *per annum*, and

no national bank in that state can legally charge any more. Needless to say that the state banks would have to come down to the same rate of interest.

It may be said that the banks would not obey the law. Comptroller Williams report confirms the fact that about one-sixth of the national banks have been violating the law, and then points out to these law-breakers Section 5147 of the same act which provides that: "Each director when appointed or elected, shall take an oath that he will, so far as the duty devolves on him, diligently and honestly administer the affairs of such association, and will not knowingly violate, or willingly permit to be violated, any of the provisions of this title."

The Comptroller has taken pains to see that every director of a national bank shall understand just what he has sworn to do, and cannot in the future plead ignorance of the law.

Remedy for Usurious Interest Rates.

The Comptroller says (p. 31, report of 1915): "As the action against the offending bank must be brought by the customer who has paid the usurious interest, suits are brought rarely. The customer who borrows at these unlawful rates is afraid to bring suit for the recovery of the money improperly taken from him, realizing that he may be blacklisted by the banks, and however great his need may be at some future time he would be unable to secure further loans."

To provide for this he recommends: "If there should be an amendment to the national bank act authorizing and directing the Department of Justice to bring suit against usurers upon information furnished either through the Comptroller of the Currency or through other sources, the practice of usury in all the national banks throughout the country can be stopped. I therefore earnestly recommend to the present Congress the passage of such a law."

One little amendment to a national law, and one little act passed by each state legislature, and a John Skelton Williams Comptroller of the Currency, and usury would be stopped. Can you grasp what that means? A conservative estimate would be that it would cut the gross total amount of interest paid by the toilers of the nation in two.

It would do more for the producers of the nation than all of the laws passed by Congress and the several states during the past quarter of a century.

One little amendment. One little act. One faithful public official. So small, and yet so great!

What an opportunity for free and independent citizens!

It might be said that the national banks could not do business loaning at 6 per cent. Times have changed. The national bank can now rediscount their paper at the federal reserve bank for 3 per cent, and they would receive 6 per cent. The margin is ample for both, even for commercial purposes. In fact, it might be reduced one-third and still leave a handsome margin conducted as at present for private profit.

MONEY AND ITS FUNCTIONS.

Money is a public utility, created, or authorized, by the national legislative unit of each independent, sovereign nation, as a medium of exchange, and to pay lawful obligations.

To be a lawful money, it must be a full legal tender for all debts, public and private.

Its primary function is to facilitate exchange of labor and labor's products, a medium of exchange. Direct barter is now very limited.

Under our present system we must have the employer, merchant or middleman to whom to take our labor, or the product of our labor, and exchange it for a national order, or medium, that will be readily accepted by the person who may have the thing we need.

Like all other public utilities, it should be administered without private profit, as is our postoffice system.

Any charge for its use, in excess of the cost of administration, is a tax on labor and labor products that must be paid by the producer or consumer, and is the main cause of the present high cost of living.

The higher the rate of interest the greater the tax and cost of living.

We complain of any increase in taxation, school, municipal, state or national, but all combined is a mere fraction of the unnecessary, or super, tax imposed and collected by the two public service utilities of money and transportation, and appropriated by them as private profit.

Congress having reserved to itself the sole power to coin (issue) money, and having prohibited under heavy penalties any individual, combination of individuals, corporations, or states to make or issue money, is in duty bound to issue a sufficient volume to transact the business of the nation on a cash basis.

It becomes the life blood of production, industry and commerce, and to delegate to, or confer, a monopoly of its administration on any one class or business will enable that specially favored class, or business, to control and exploit every other business, or industry; yes, even the state and federal governments.

Money may be stamped on a metal, or an alloy of several metals, such as iron, brass, copper, nickel, silver, or gold, or on paper.

The value of the thing stamped is immaterial. It is the fiat of the government making it a full legal tender for all debts, public and private, that gives it the value as a medium of exchange. It then possesses a community, or legal value, regardless of its commodity value.

Our gold coin is a perfect money, or would be if there was enough of it, not because of its commodity value, but because our law makes it a full legal tender for all debts, public and private.

The gold certificate, based on the promise to pay in gold coin, even though the coined gold is stored in government vaults for that specific purpose, is not lawful money.

In fact none of the many different kinds of money that we have in the United States, except coined gold, is full lawful money.

The people have been grossly deceived in this respect.

Every dollar issued, or authorized, by the government, should be lawful money in every sense of the term.

To be issued by, and made an obligation of the government, and then made lawful money for one specially favored business, and not for all the rest of the people, is rank special privilege, and gross discrimination that cannot be defended in equity, or justice.

Strange as it may appear, that fact is true of nearly all of the money we have in circulation, and the lawful money, gold, is not performing its functions of money, because it is practically out of sight.

"There's a reason for it," which will be developed later.

All our banks, state and national, are chartered as public service corporations—to serve the public.

In practice they have used the public machinery, and special privileges, to serve themselves, for their own private gain.

In the pursuance of private gain, they control legislation, both in state and nation, in and for their own special interests.

In the Federal Reserve Law, they have wrested from the people and secured for themselves the constitutional power to issue money and regulate the value thereof.

Supreme in the political and legislative arena, they secure the enactment of such laws as they want, and ignore, or violate with impunity, any laws that stand in their way.

There are a few very important things that must be kept constantly in mind in the discussion of the money problem, in connection with the great conspiracy, now so rapidly developing. They are all parts of one great complete and most efficient scheme for the control of all business, and acquisition of wealth and property.

Any one of them would in time accomplish their object.

All being worked in unison at the same time will accomplish it much sooner.

Checked at any point, it will delay consummation, and give us the opportunity to wake the people up.

First: By the contraction of our money, or currency in circulation, now in process, as I will show later, both by decreased amount, and increased demand, they will increase the purchasing power of the money which they control.

Second: The dollar loaned today will have increased in value a few years hence, when due; that is, it will require more of the products of labor to buy

the dollar, to pay the obligation. It will also enable the owner of the money to charge a higher rate of interest for the dollar.

Third: Most obligations are being made payable in "gold coin of the present standard of weight and fineness."

Gold coin is out of circulation the world over, and practically so in the United States. Every effort is being made to demonetize our gold coin, by decoinage, and to retire, or destroy, our lawful money.

Fourth: What we have left of gold coin and lawful money is being rapidly hoarded in the bankers' vaults.

Fifth: The Federal Reserve Law provides for a complete change in our monetary system from government money to that of bank ledger credits. That is: They will loan you a credit on their books, based on your good security, and take your obligation, payable in gold coin, something you did not borrow, and which they can demand in payment, when the obligation is due. Where can you get the "gold coin"?

Sixth: Whenever they think that they can make more by taking your property than they can by taking your labor, which they do in the collection of interest, they will simply demand payment according to the contract, and you will be at their mercy.

Impossible, you say, in a free country, where all men and some women are independent, sovereign citizens, that we could be robbed like that.

They will not call it robbery. It can be done in the future, as it has been done in the past, legally, by and with your support at the ballot box; and as it was done illegally, in open, defiant violation of our laws, by this same group of men during the bankers' panic of 1907.

In every movement for development and betterment, whether in production, transportation, distribution, marketing, as individuals, or co-operating with your neighbors, or if a tenant farmer, or a farm owner in debt, or if you wish to develop and improve your farm, hold your products for the consumptive demand,

or to manufacture your farm products into food products, that you may sell to the consumers' clubs direct.

Fear of a short crop, or crop failure, when you cannot make your payments, or meet your interest, and the danger of mortgage foreclosure is before you as a dreadful nightmare; in each and every case, you are at the mercy of the one business on which you have conferred this invaluable monopoly, as public servants, and thus permit them to become your autocratic masters.

What is true of agriculture is true of every other industry.

You cannot believe it, can you? Well, follow me through, and I will give you my evidence.

The House of Morgan is now in supreme control of our industrial, commercial and political affairs, by and with your consent.

All attempts to regulate or control under present laws, or through present political parties, is time wasted, while they continue perfecting their plans.

They are in complete control of the political machinery of the Democratic, Republican and Progressive parties.

It is useless to try to wrest any one of these parties from their control.

Their present, extraordinary propaganda for "preparedness" is planned far more for home coercion than for defense against foreign aggression.

This organized usurpation must be met by an independent organization of the people at the earliest possible date.

WHAT SHOULD THE VOLUME OF MONEY BE?

Direct barter, customary during the lifetime of many of us, is gone forever. Civilization and progress demand a better system, that we may keep pace with inventive genius in production, by aid of labor-saving machinery whereby the man with the machine, plus electric power, can produce fifty times as much as the individual man could fifty years ago.

In addition, the woman can in many cases handle the machine as well as the man, and because unfranchised can be and is employed for less wages; and with still greater perfection of the machine, the child, who should be at school, is employed at still smaller wages to operate the machine. The productive power of the family has been increased very many times.

Take agriculture as an illustration, and as a boy I used the tools and methods mentioned.

Then we plowed with a small walking plow; now we have the big gang and farm tractor.

Then we dragged with a home-made crotch drag; now we attach the big drag behind the gang plow.

Then we seeded by hand; now we seed with a large drill.

Then we harvested with a hand sickle; and twenty-five shocks of twelve sheaves each was considered a good day's work; now we have the self-binder, the push binder and the header.

Then we threshed with a hand flail; now with a large separator.

Suppose that we had not increased the storage capacity and the means of transportation and distribution to correspond with increased production, what would we do now?

The question itself shows the absurdity of the proposition.

Other conditions remaining the same, it would have been foolish to produce so much more, because it could not have been marketed for want of the increased medium and means of exchange and distribution.

There would have been no incentive to progress.

It may not be out of place to inject another thought right here.

This greatly increased power of production, should have had two beneficial results, if governed by the natural law of supply and demand, viz: shorter hours of labor for the producer, and cheaper products for the consumer. But owing to the neglect of the duties of citizenship on the part of the producer and consumer, private monopoly was permitted to step in and reap all the benefits, by securing control of the two public utilities, money and transportation, and in addition the means of distribution, and, by taxing to the limit, all the trade would stand in each, has actually greatly increased the price to the consumer, while the producer, on an average, is no better off, either as to hours of labor or net returns for labor.

But, as Kipling would say,—that is another story.

Now as to exchange. I write of conditions in a well settled section of Eastern Ontario, near Ottawa, the capital of the Dominion of Canada, and I assume that to a great extent the same was true of all the Northeastern and New England states. Home production and barter was the rule, and the medium of money the exception.

Farm tenants were very few. I do not now recall one in the two large townships with which I was familiar. I do remember well, though, that the farmer who had a mortgage on his farm had lost caste in the community, and the one man in the community who held most of the mortgages was called a usurer, and somewhat of an ogre. He had few friends.

Now for my own family experience. We raised our own wheat, and took it to the custom mill my grandfather had built and for each bushel of wheat dumped in the hopper my cousin took out one gallon; the rest we took home as flour, bran and shorts.

We had our own maple sugar bush, as most of our neighbors had, made our own syrup and sugar, and some to spare. Of course we raised our own vegetables. Wild berries of several varieties were abundant, and with a large family (I am one of twelve) we always had an abundance of fruit.

Instead of canning, we dried for winter use. Coring apples and stringing them up to dry, and ringing pumpkins for same purpose, was an evening pastime in season.

We raised our own meat, and feasted on venison in season; fish close by and abundant. When we did not have tame bees, we could find bee trees, and had plenty of honey. For the table all we lacked was a few groceries, for which we exchanged farm products.

For clothing, there was comparatively little bought at the store, and such as was, was paid for with some farm product. We had our flock of sheep, and father and we boys had a suit annually, of all-wool cloth.

The tailor would come to the house and fit out the men folk, taking some farm product home for his own family use.

Mother and the girls had their good warm flannel clothes, one-half wool and half cotton, no shoddy.

For footwear, we usually had one or more hides, which we took to the village tannery, and in due time received one-half of the tanned leather, ready for the shoemaker, who in season brought his bench to the house and remained until the family were all shod, and he was paid for his labor in large part, if not wholly, in barter.

We raised our own flax, and had our home-made linen for table, bed and clothing. For summer wear we men folk had nice home-made straw hats for week days, and fine hay hats for Sunday.

I do not claim that every family was so fortunate, for mother was an exception as a mother and house-keeper, but the system of barter was the same for all.

Taxes were light. The school teacher boarded around among the scholars, and we had not then developed the science of graft in public affairs.

For the three counties adjoining Ottawa, and with which I was very familiar, there were many small towns, five to seven miles apart, and up to thirty-five years ago there was not one bank in those three large counties, neither was there a "poor farm" or charitable society.

There was no tax on the exchange of labor, or labor products, except the legitimate tax of the local merchant, and competition kept that reasonable.

I am not advocating going back to that system of barter; but to show that as our improved methods increase production, we should have an improved system of exchange, and that the medium should keep pace with the increased products to be exchanged, and administered without private profit. Not only is "the laborer worthy of his hire," but is entitled to all the product of his labor.

The moral of this illustration is to make plain and emphasize the absurdity of a fixed per capita for a medium of exchange. We must also expect still greater improvements in methods of production during the next fifty years than have occurred during the past fifty.

Had we rigidly fixed the volume of money in the United States, as it was in 1860, at \$13.85, or even as it was in 1879, as the Secretary continues to use in making comparisons, \$16.93, without developing a credit system, how could we have handled our immense increased production.

The amount to be provided should be governed wholly by the demand for use, and should respond automatically to that demand.

Who should be the best judge of that need; the man who produced the goods and wants to make the exchange, or hold for the consumptive demand, or the man or business that has a monopoly of this public utility and uses it to satisfy their greed for gain?

Money is scarce and dear, because limited in quantity and monopolized by one private business. Our need is more money, and we must take another step in the evolution of our medium of exchange and base the

increased supply on "the best security in the world—productive land," and in addition as needed on the non-perishable, stored products of labor. We can no more have too much of the representatives of wealth than we can have too much wealth.

I believe that demand for use will automatically regulate the volume, if the federal government will charge a sufficient tax, or interest, for its use to prevent people borrowing unless they can make a profitable use of it. And so long as it can be profitably used it means greater prosperity for the whole people. When it ceases to be profitable it will be paid in to stop interest or tax. But under the new system suggested by me I can see no more harm to the community, or the government, by some money lying idle, except to the borrower, than occurs now with postage stamps lying idle in your desk.

Our greatest need is a better understanding of the true functions of money.

EFFECT OF CONTRACTION BY INCREASED DEMAND.

If our theory is correct, that we may have a contraction of our medium of exchange as effectually by increased demand as by decreased supply, then conditions during the autumn of 1915 were ideal for a panic, because we had an unusual, or abnormal, increased demand and an unusual decreased supply. This, too, under the Federal Reserve Law, that was to prevent all panics in the future, and had been in "successful operation" for almost one year. Why was it not precipitated? It was in part, but, strange to say, it was not featured in the press, and those who suffered most did not seem to realize their loss, because of the good crop and abnormal demand for same at fair prices.

The House of Morgan, as financial agents of the Allies of Europe, and directly, and indirectly interested in the manufacture of war munitions and other supplies for them, found that new field more profitable.

Again, the wholly unexpected importation of gold threatened to postpone their carefully laid plans for the future exploitation of our own country as will be shown later. The press reports indicated that it caused a near panic for the men who control. They must have time to check the flood of gold imports, as shown by immense loans of credit, but in doing so they enlarged their vision to include a great part of the world in their conspiracy, by making these vast loans of credit payable in American "gold coin of the present standard, weight and fineness." They must also have time to demonetize the foreign coined gold imported, by decoinage, and the assay office in New York has been kept busy twenty-four hours a day melting and converting it into bullion.

The great manufacturing trusts, and industrial business being so closely identified with, in fact, being a part of and financed by the controlling element, and

protected from foreign competition, could maintain and actually increase their prices, and of course they did, and their great prosperity is heralded as great prosperity for all the people.

Did this contraction of the currency have the effect we claim it must have on the price of the unprotected products of labor, free from monopoly control.

Agriculture is not recognized as a business, or industry, by officialdom, bankers, big business, or politicians: just a lot of workers to be humored and taffied, but not taken seriously. For confirmation, read the official reports, general news, the political speeches of the practical politicians, the preambles of bills introduced, and the texts of the bills as enacted. But as for the effect of contraction on agriculture, the one great, unaffiliated, unprotected industry governed as to prices by the world's natural law of supply and demand, it was sacrificed, as usual, under such conditions, and more ruthlessly and relentlessly because of the greater opportunity.

We were assured then, and will be in the future, that there was plenty of money to move the crops. In reply to Secretary McAdoo's letter inquiring of the Minneapolis reserve bank: "Will you please advise me if the federal reserve bank of Minneapolis is in need of government deposits for the purpose of assisting in the moving and marketing of the crops in the ninth federal reserve district," Mr. Rich replied September 13th, in part: "At this time the Northwest is amply supplied with funds, and rates for money are very low"—1915 Report Secretary of Treasury, p. 9.

So far as agriculture was concerned interest rates had not been lowered, and were very high.

The national banks of the nation were at that time hoarding in their vaults in excess of legal requirements over \$800,000,000 of which the ninth district (Minneapolis) banks' share was nearly \$100,000,000.

To substantiate his claim Mr. Rich and associates would point to the fact that the crops did move, and were moving then. True, they did.

They bought the dollar by giving more pounds of wheat for it.

The farmers were compelled to sell to meet pressing obligations, but at what a sacrifice.

The creditors were pressing and pressing hard for collections.

The Ninth Federal District Bank had no money for the farmers at any rate of interest, and there is no record that they had been urging the member banks to accept help to meet this urgent need of the farmers; but there is evidence that when the speculators of the grain exchange of Minneapolis and other markets had forced the price down to suit their views, there was "ample funds at very low rates" for the speculators.

The farmers were experiencing the full effects of a very severe panic.

By September 1st wheat had declined in price 60 cents per bushel, which meant \$600,000,000 less to the farmers for their wheat crop.

Oats had fallen in price 20 cents per bushel. A loss of \$300,000,000.

Barley had fallen in price 20 cents per bushel. A loss of \$47,000,000.

Flax had fallen in price 32 cents per bushel. A loss of \$6,000,000.

A conservative estimate on corn would be a loss of \$100,000,000.

Live stock, and all other farm products, except perhaps horses, had all fallen in price. The total loss is too large to be realized by the average reader, but let each farmer who reads this figure out for himself just what that contraction of currency meant to him and his family.

Each prosperous landlord figure out for himself what he might have done with his share. Of course, he did not need it, but he might have found a use for it.

And each local merchant might estimate how much more goods he might have handled.

Yes; there was money enough to move your crop; provided that you would give enough of your products to buy the monopoly-controlled dollar.

Our public servants, the Federal Reserve Board, well paid to serve the public, proved either incompetent or unfaithful in the performance of their duty, and permitted this great sacrifice of agriculture.

Who benefited by this sacrifice? A comparatively few men who operate on our grain exchanges, and who by selling in April or May, for September delivery, 100 bushels in Minneapolis, or 200 bushels in Chicago, for each bushel that could be actually delivered, for 42 cents per bushel less than cash wheat was selling for, and still further bearing the price by September 1st, by another 18 cents, making a total decline of 60 cents per bushel, the world's demands having grown greater during that time.

Let me repeat in hopes that you will remember, that under our federal reserve law there was "ample funds at a very low rate" of interest for these specially favored gentlemen and their associates who bought at the decline in September and can already (February, 1916) sell at a profit of around 30 cents per bushel.

A great system, and judging by their votes, the farmers like it.

On my initiative the principle involved was adopted at the annual meeting of the National Farmers' Alliance and Industrial Union, at Indianapolis, in 1889, and again at Ocala, Florida, in 1890. Again, at St. Louis, at that historical meeting of twenty-one farm and labor organizations in 1891 I was a member of the committee on resolutions. The principle was reaffirmed in the interest of labor quite as much as of agriculture. In 1892, as President, I was requested to prepare a text book and did so in 1893, "The New Monetary System," which was unanimously approved. As

chapter XII on "A Flexible Currency," deals with this phase, and includes some others with which I wish to deal, I will quote quite liberally.

Per Capita Base for Money.


"No fixed volume of money per capita can or will solve the money problem. Demand for use is the natural law. We can contract the volume of currency either by increasing the demand, or decreasing the supply.

"If there are seasons of the year when there is an abnormal demand and no increased supply there will be a contraction of money with its inevitable result, lower prices. This is a law as unalterable as the laws of the Medes and Persians, and affects not only those who produce the cause (increased demand) but also all industries in the nation.

"The farmer is the disturbing factor, for the bulk of his year's labor is rushed into the market in three months. This is especially true of wheat and cotton. The average farmer farms on credit. His bills are made payable the first of October or November. This necessity of forced sales by the farmer, and the inability of the consumer to buy more than for daily needs, becomes the harvest of the speculator.

Speculators' Harvest.

"Taking the crop of 1891 as per the report of the Secretary of Agriculture, we had of cotton, farm value, \$366,863,738, and of wheat \$513,472,711, or a total of \$880,336,449. A conservative estimate would be that 80 per cent of this must pass out of the producers' hands inside of three months, or \$708,269,159. One-fourth of the total amount will go into consumption, leaving about \$500,000,000 worth of wheat and cotton alone to be carried over. Add to this the other products of the farm sold and stored for future use by speculators, and the amount will be largely increased. This makes a



great strain on the money in active circulation which according to Senator Plumb was \$500,000,000. In summer it is all in use in the ordinary channels of trade and needed there. With this sudden increased demand for its use, there can be but one result: a violent contraction, with falling prices of the products that must be sold to buy the dollars, and a higher rate of interest for other industries. The speculators understand the ease with which the money market can be manipulated or cornered at this period of abnormal demand for use. Provision must be made to meet this annual unsettling of values and interference with trade. The remedy is an elastic and flexible volume of currency that will respond to the demand as needed. Political economists realize this necessity and many plans are offered, but, unfortunately, most of them favor basing the currency on some form of credit. The weak point in our currency now is, that it is entirely too much overloaded with credit. The Comptroller of the Currency, in his annual report for 1892, page 32, says: 'Over 90 per cent of all business transactions are done by means of credit. When the public lose confidence and credit is impaired and refused, over 90 per cent of all business transactions are directly affected. It is easy to realize how impossible it is for the remaining 10 per cent of money to carry on the business of the country without monetary stringency and distress.'

"On the same page we find that of this 10 per cent less than 2 per cent is in gold, 5 per cent in promises to pay in gold, and 2 per cent in silver.

The Gold Base.

"Col. S. F. Norton puts the case in a nutshell thus: 'The gold base theory is a good deal like spinning a top; so long as the top is spinning around under the influence of the artificial force that is applied to it, it will stand up, but the moment that it touches a round place or comes in contact with any other substance, there is a panic

at once, and it falls to the ground; or when applied power (confidence) is gone, it stops whirling and tumbles over.'

"The credit business is overdone; the top is liable to tumble at any time. The flexible, as well as the permanent, volume of currency should be based on wealth instead of credit, and it is imperative that it be done soon. Ex-Secretary Windom saw the danger confronting us very clearly and stated it explicitly in his address before the New York Board of Trade January 31st, 1891. He said: 'The ideal financial system would be one that should furnish just enough absolutely sound currency to meet the legitimate wants of trade, and no more, and that should have enough elasticity of volume to adjust itself to the various necessities of these people. Could such a circulating medium be secured the gravest commercial disasters which threaten our future might be avoided. These disasters have always come when unusual activity in business has caused an abnormal demand for money, as in autumn, for the moving of our immense crops. There will always be great danger at such times under any cast-iron system of currency, such as we now have. Had it not been for the peculiar condition which enabled the United States to disburse over \$75,000,000 in about two and one-half months last autumn, I am firmly convinced that the stringency in August and September would have resulted in wide-spread financial ruin.'

"Secretary Windom still clung to a gold basis, but hoped to provide for an elastic currency in addition, that would respond automatically to demand for use, to be based on some form of bonds (more credit money).

Base Money on Value.

"Our plan is to base our currency on actual value—productive land—and the non-perishable products of labor to be exchanged.

"As wheat and cotton are the great disturbing factors, as previously shown, we believe that currency—wheat and cotton certificates—issued on these stored products in sufficient volume to move them, is the best solution of the problem yet offered. It would relieve manufacturers and business men from the strain put upon them every autumn because of the competition forced upon them to retain the money needed in their business, and that the farmers must have to exchange the product of their labor for the things they need.

"This competition is disastrous, both to the farmer and business interests, in proportion to the value of the crop to be moved.

"The business men need the money; the farmers must have it.

"Whichever pays most for it in interest, or products, secures it.

"At the time referred to by Secretary Windom the competition was very keen. On the 28th of August, interest ran up to 180 per cent in Wall Street and stocks fell in value until a panic was barely averted. Wheat dropped 30 cents per bushel. The necessity for an elastic currency will always come when we have an extra large crop. Mr. Windom said: 'These disasters have always come when unusual activity in business has caused an abnormal demand for money, as in autumn, for the moving of our immense crops. When the nation should be most prosperous, because of the vast increase in wealth produced by labor, DISASTER IS THREATENED, because of our present cast-iron system of currency.' It is impossible to frame a stronger indictment against the present system. The larger the volume of wealth produced, the greater the danger of financial disaster.

"THE GREATER THE BLESSING, THE GREATER THE CURSE.

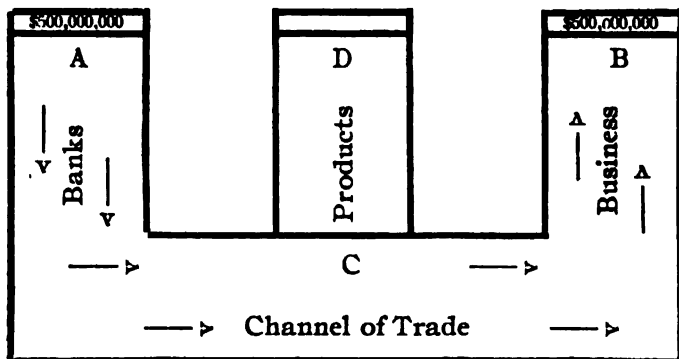
"Chauncey Depew, in one of his happy after-dinner speeches said: 'We are now going to receive from the soil the enormous products made by the Lord and by labor, and this will make the country uncommonly rich.'

"Mr. Windom answers: 'There will always be greater danger at those times under any cast-iron system of finance such as we now have.'"

"We have the natural resources, the brawn and brain to make this the grandest nation of the ages. It cannot be done with a cast-iron system of finance that is at war with nature and nature's laws. We cannot illustrate this better than by using two diagrams prepared by S. M. Scott of Kansas in his work on 'The Sub-Treasury Plan.'

EFFECT OF CONTRACTION

DIAGRAM NO. 1.



EXPLANATION.

A represents the banks, which control the volume of currency.

B represents all lines of trade.

C represents the channel of trade through which the circulating medium flows from the banks to all business.

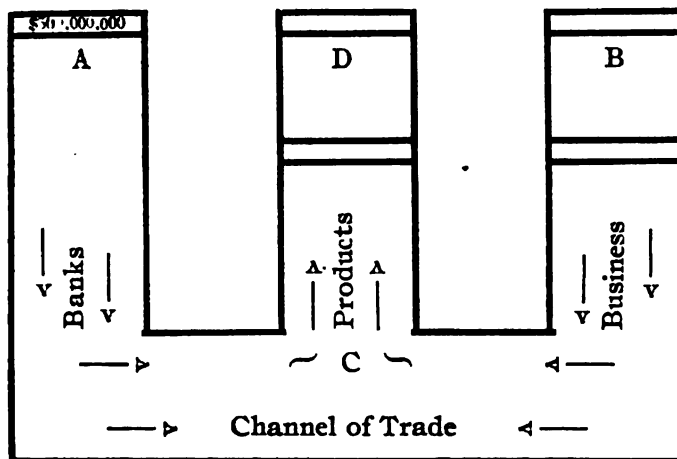
D represents the mountain of products before the channel of trade has been tapped, or before they commence to move.

The arrows represent the course the money flows, with no interruption on the part of products.

The above cut represents the banks, channel of trade, and business. The arrows show the course of money from the banks through the channel of trade into the business of the country. The center figure represents the products of the country before the channel of trade has been tapped and the crops commence to move.

You will notice the banks are full of loans and discounts, business has all the money there is in circulation, and no provision made for moving the products which the central figure represents. As soon as the channel of trade is tapped by the movement of these products, then the course of money takes a change, which is represented by Diagram No. 2.

DIAGRAM NO. 2.



EXPLANATION.

This cut represents an increase of business by virtue of the movement of crops, without a corresponding increase of money, in consequence of which business and products are depressed, but loans and discounts in banks remain the same. Secretary Windom said in his New York speech, January 31, 1891: "There will always be great danger at those times under any cast-iron system of currency, such as we now have."

A represents as before the banks.

B represents all lines of business.

C represents channel of trade.

D represents as before the products, which have commenced to move.

By tapping the channel of trade, we notice a complete change in the course of the circulating medium. Instead of flowing into business it is now flowing into products, robbing business of her just deserts, compelling her to divide one-half of her life-blood to sustain the producer. Thus we see business depleted, and products compelled to be pressed inside of the same volume of currency that was only adequate to transact the ordinary lines of trade. Business and products sink as the volume of money finds its level; therefore, we find the banks remaining the same, from the fact that they control all.

A GREAT CONTRACTION IN TIME OF NEED.

The law of supply and demand applies to money just the same as to any other commodity. We can contract the medium, either by increasing the demand without increasing the supply, or decreasing the supply, the demand remaining the same. In either case it will have exactly the same effect. The fact that under our present system we must first exchange our labor or its products for money or credit is overlooked.

A contraction of currency (money or credit) means dearer money and cheaper products; that is, it will require more of the products of labor to buy the dollar. Remember that in exchanging our products for the dollar we buy the dollar.

To illustrate: If the price of wheat is \$1.00 per bushel and advances to \$1.50 it would require one-half more money to move the crop.

Exactly the same effect would be produced if the yield should be increased fifty per cent, the price remaining the same. Now add all of the other farm products of the year and estimate if you can what it means.

Let us take the year 1915 for illustration. There has been an abnormal expansion in manufacturing, more especially in war munitions.

Our exports have been enormous; the balance of trade in our favor will be over \$1,000,000,000. Here, then, was a great increased demand for manufacturing purposes. In addition to this we had our record-breaking crop of small grain, our wheat exceeding the billion bushel mark, and other small grain in proportion.

In the Federal Reserve Bank Law Congress had delegated its sovereign power "to coin (issue) money and regulate the value thereof" to a department of government known as the Federal Reserve Board, and

Federal Reserve Banks. They were given absolute control of this most important public utility, as public servants and trustees of the people, to administer it "in the interest of agriculture, industry and commerce," in fact in the interest of all the people of the nation.

It was their duty to see that this great increased demand was served with an adequate increased supply, else there would be a severe contraction of money, with the inevitable result that it would require more of the uncontrolled products of labor to buy the dollar.

What provision did our public servants make to meet this great increased demand; and more especially to meet the so-called annual "emergency" to move our abnormal crop of small grain and cotton?

There are two kinds of currency that our national bankers, specially, absolutely control, viz: national bank notes and Federal Reserve bank notes. They had the unlimited, sovereign power to respond to the demand. A solemn promise had been made to the people that they would. Now what is the official record, as gathered from the Department of the Secretary of the Treasury?

From December, 1914, to June 1st, 1915, there had been a vast increase of manufacturing to finance and products to exchange. What provision had been made during that period to meet this increased demand?

The amount of currency in circulation which they specially controlled, national bank notes and Federal Reserve bank notes, had actually decreased by \$177,715,526. The total volume of all kinds of money and currency, including imports of gold which they did not control, had decreased by \$102,830,052. A great contraction of currency, both by increased demand and decreased supply.

Our crop movement begins in July. The national bankers were warned by the Secretary of the Treasury of the "emergency," and who offered them all the additional money needed, to help the farmers move their crop.

The response, for the month of June, of the special currency they controlled was a still further decrease of \$497,812.

In July the crops began to move. The Secretary of the Treasury remonstrated; the Federal Reserve law was on trial. The administration had staked their future welfare on it; but there was another decrease of \$2,144,604 by August 1st.

In August the crop movement was on in increased volume. The Secretary of the Treasury now threatened and the volume of currency they specifically controlled was increased by the very small sum of \$5,233,350.

For the three months of preparation, June, July and August, reminded, warned and threatened by the Secretary of the Treasury to do their duty, the increase of currency, which they specially controlled, was a paltry \$2,590,941.

But there is still another source for contraction of money for the legitimate purposes of exchange, viz: currency held in the national banks. In all the reports of the Secretary of the Treasury, all of the money outside of the federal treasury, is classed as "money in circulation." This includes all money the law compels the banks to hold in their own vaults as "legal reserves." Of course, it cannot be locked up in the vaults and be in circulation at the same time.

Federal Reserve Law a Failure.

The Federal Reserve law was supposed to obviate the necessity of holding so much money in reserve in the national banks, by their ability to promptly discount their commercial paper, but conceding that it has failed in that as well as in every other feature, in so far as the non-bankers are concerned, and that the national banks must continue to hold the "legal reserves" in their vaults, or out of circulation, we have the right to assume that to hold any more in their banks than the legal reserve is hoarding money and keeping it from performing its functions as a medium of exchange.

This hoarding of money by the bankers in time of stress is in violation of the spirit of the law, and wholly in violation of their duty as public servants, administering a public utility.

Hoarding Money Indefensible.

That I am correct in this interpretation of law and duty, I refer to the series of telegrams sent to national bankers by the Secretary of the Treasury, during September, 1914, pages 21-22 of official report. Just a paragraph or two:

"The reports of national banks now being received by the Comptroller of the Currency, in response to his call for a statement of their condition as of September 12, indicate an extraordinary hoarding of money by many national banks in various sections of the country. I am astonished that so many of the national banks are pursuing a course so contrary to the public interest and so indefensible from any point of view. There is neither occasion nor necessity for it. * * *

Reports of National Banks Public Property.

"I intend to begin issuing daily a list of the banks which are hoarding money by maintaining excessive reserves," the Secretary continues, "in order that the country may know how they are performing the public duties.

"The reports of national banks are public property anyway, and while they have been published in their respective communities the significance of their statements is not generally understood. The public does not know how to analyze them. My purpose is to focus attention upon the excessive reserves carried by these banks, for the reserves indicate whether or not the banks are using their full resources for the relief and accommodation of business in their respective communities. * * *

"The banks that are hoarding money should discontinue it. Such action more than any other agency, tends to impair confidence and injure business. * * *

"Reports now being received by the Comptroller of the Currency from national banks throughout the country indicate that a money scarcity is being occasioned, in large measure, because of the hoarding of funds by many national banks, which are carrying reserves in some cases two or three times as great as required by law; and also that credits are being restricted and excessive rates of interest being charged to customers."

The Secretary of the Treasury makes a few points very plain, viz: First, that the national bankers are public servants, chartered to serve the public.

Second: That many of them are unfaithful public servants.

Third: That hoarding money in the banks in excess of legal reserve is a contraction of the currency.

Fourth: That a contraction of the currency "tends to impair confidence and injure business."

Fifth: That publicity as a remedy is utterly worthless; for the report of the Comptroller of the Currency for 1915 as given elsewhere shows conclusively that the violations of law and public duty continued in an exaggerated form.

Sixth: That the people most affected by the contraction of the currency and falling prices were farmers, laboring men and smaller industries in certain sections of the country, and they either approve of the policy, or do not understand the privileges and duties of citizenship.

The Scandinavian-American bank of Sioux Falls, S. D., was posted as one of the worst, hoarding three and a half times the legal reserve, and its president was elected United States Senator a few weeks later. Query: Will he support the recommendation of the Comptroller of the Currency to prosecute lawless and perjured bank officials?

It is officially asserted then, that money hoarded in the banks is a contraction of the currency, and against public policy.

By September 1st the national banks had hoarded in excess of legal requirements the very large sum of

\$876,082,647, making the total direct contraction of currency for which they were responsible between December 1st and September 1st, \$1,053,797,973.

The indirect contraction, by increased demand, was very much greater.

It may be claimed that there was no need of an increased issue of bank notes, because of the large imports of gold from Europe.

What are the facts?

From December 1st to June 1st the amount of gold coin reported in circulation had actually decreased by \$45,986,339. But as we are now considering currency only and not lawful money, we must also include the gold certificates now being issued against uncoined gold metal. These had increased during the same period by \$98,988,490, leaving a net increase from gold coin and bullion of \$53,002,151. By September 1st gold coin in circulation had again decreased by \$15,854,171. Gold certificates had increased \$114,498,740, making a net increase of \$98,644,569. A total increase from gold coin and certificates from December 1st to September 1st of \$151,646,720, the gold coin, or lawful money part having decreased by \$61,840,510.

Including all kinds of currency there was an actual decrease from December 1st to September 1st (the very time we needed a very large increase), of \$247,606,655.

Gold Imports Create a Near Panic.

Strange to say, the increase of gold by importation created a near panic in the ranks of money monopoly. It was interfering with their well laid plans, and to stop it, they were glad to loan the Allies of Europe \$500,000,000 on their own terms. We may expect this to be followed up by \$50,000,000 a month to prevent further importations of this "precious metal."

They are not entitled to any credit for the \$213,487,230 increase of gold certificates, and in addition should be charged up with the demonetization of \$61,840,510 of coined gold by decoinage.

BANKING AS A DEPARTMENT OF GOVERNMENT

In the organization of our government, certain functions that would facilitate, or encourage trade between the several states, known as interstate commerce, was conceded to the federal government.

These included money, the medium of exchange; the post office for the transmission of intelligence; and the public highway for transportation. On money we find Art. I, Sec. 8, No. 30: "to coin money, regulate the value thereof, and of foreign coin."

The constitution also prohibits any state unit from making anything lawful money except gold and silver coin, and they are prohibited from coining either.

Heavy penalties are imposed for counterfeiting money, or even having the means of counterfeiting in possession.

This should settle the question as to where the power rests, and resting with the federal government, it is their duty to coin or issue all the money needed for the purpose of exchange and distribution of the products of labor, in the most efficient manner and in sufficient volume, without private profit.

In the past and present, the practice in administration has been exactly the reverse, hence the confusion in the public mind.

The national bankers have so long, wrongfully enjoyed the profits of the administration of this public utility, that they have grown to regard it as a vested right, and resent any attempt to regulate or control. They will not even concede that "the rule of reason" should apply.

Can Congress by legislation, delegate a power reserved in the constitution as a public function, to a private business to be operated for private profit?

President Taft in an address at the Waldorf-Astoria, New York, February 14th, 1910, in discussing the proposed postal savings bank system, took the position that unless the law contained a provision for the investment of the deposits in government bonds that it would be unconstitutional, "Because the postal banks would then clearly be an instrument of the national government."

Again he said: "A provision that when the money is not needed to invest in government bonds, or to redeem the same, it may be deposited in the national banks, in the neighborhood of the place of deposit, will avoid the great danger of a panic, and will strengthen a banking system, which is an arm of the federal government."

A public service corporation. What a travesty in practice!

Mr. Herrick says: "The federal reserve system is charged with the issue of currency—a function of the government." Which is true.

Secretary Houston, page 36, 1914 Year Book, says: "The federal reserve act was passed with a view to the improvement of the banking conditions of the country in the interest of all classes. It is not a bankers' law, it is a law for all classes—for all the people."

Senator Owen in introducing the bill, and he should know, said (Congressional Record, p. 6766): "All of these consideration urge that the federal reserve banks should be a bank for banks; a bankers' bank; and not a public bank competing with the banks for business."

George T. Shibley, expert to the Senate committee on banking and currency, in his explanation on page 17, says: "In brief, the federal reserve system is to be a 'bank of banks.'"

President Wilson, in his currency message to the Congress, December, 1913, said: "The control of the system of banking and of issue which our new laws are to set up, must be public, not private, must be vested in the government itself, so that the banks may be the instruments, not the masters, of business and of individual enterprise and initiative."

Note. That sounds good; but the law as enacted with the President's approval, makes the federal reserve banks "absolute masters of business and of individual enterprise and initiative."

Thos. Jefferson said that "the issuing power should be taken from the banks and restored to the people to whom it properly belongs."

And Andrew Jackson restored it.

The Civil War gave the bankers the opportunity to take advantage of the necessities of the nation, and since then they have gradually advanced, step by step, usurping the functions of government, until they now have a complete monopoly of this vital public utility.

We need and must have another Andrew Jackson.

All political parties agree that the issue and coinage of money is a constitutional function of the federal government.

The national banks are chartered as an "arm of the federal government."

The federal reserve law was made not only an "arm of the government," but the whole thing, so far as money is concerned, now that we have practically ceased to coin money, by making the federal reserve banks fiscal agents of the government, government depositaries and delegating to them the power to issue money, and "to regulate the value thereof."

How regulate the value thereof? By regulating the quantity issued, or rather in circulation. There is no other way. That is, the supply must equal the demand for use.

That proposition has been ridiculed in the past, but we now have the admission of what should be considered the very best authority in the United States, viz: the federal reserve board. In their report issued February, 1916, we find: "The reserve banks have not been greatly encouraged to indulge in such commercial banking operations as the law permits, because thereby the danger of inflation might have been increased and money rates further depressed."

The object of the federal reserve board is to increase the value of the dollar, and this includes all outstanding obligations, payable in dollars. Just keep that in mind. We will refer to it later.

Unlimited Power to Fix Rate of Interest.

The federal reserve bank law, Sec. II-b, confers the power on the federal reserve board to fix the rate of interest one federal reserve bank may charge another for rediscounting the paper of another federal reserve bank.

They have the power to fix the rate of interest the federal reserve banks may charge a member bank, and the rate the member bank may charge the customer, so the very important factor of fixing the rate of interest to be charged for the use of money or currency rests with Congress.

They have delegated this power to the federal reserve banks without fixing the maximum rate of interest to be charged, or the volume issued.

The responsibility is fixed. Congress is responsible.

And you, Mr. Voter, are responsible for Congress.

This is by far the most important branch of our government, because, whoever, or whatever system controls the money of a country is complete master of the labor, industry and commerce of that country.

It has been said that our government was composed of three branches: the legislative, the executive and the judicial, in the order named.

I think that five divisions would better represent our present system in actual practice, and in the following order of influence and power: The independent (?) American voting citizen, the legislative, the executive, the judiciary, and the SOVEREIGN HOUSE OF MORGAN.

In every other department of our government the employes are paid fixed salaries, or commissions. Even in the other branches of the Treasury Department, the smallest misappropriation of public funds for private use is relentlessly prosecuted. This is true

of every branch of every department, except this one branch of banking as conducted under the inspiring influence and practice of **The Sovereign**.

What would be thought of our permitting a postmaster to charge each customer all he thought they could, or would, stand for each stamp sold, the least able to pay the most; the receipts above the cost of the stamp to go into his private till, for his own private use in lieu of a stated salary.

A grave temptation for the weak, or those inclined to graft.

The cases are exactly parallel. Each is an "arm of the federal government" organized for the purpose of operating a public utility.

No individual, combination of individuals, or state unit is permitted to make either a postage stamp, or a dollar of money.

The postage stamp is good for the transmission of a letter or parcel to any part of the United States, the rate being the same for every person using them, and estimated at a price that will cover the actual expense of the service, without any private profit.

The system is operated as a public utility.

The dollar is supplied to the federal reserve bank at the bare cost of printing, about one mill. Every state in the union except three has fixed the maximum rate that can be charged legally at from six to twelve per cent.

Gross Violations of Banking Laws.

The national banks are prohibited by law from charging more than the legal rate, Section 5197. The Comptroller of the Currency, on page 29, of date December 6, 1915, says: "The sworn statements of condition of a great many national banks show that section 5197, United States Revised Codes, against usury has been grossly violated by these banks."

The report indicates that about one-third of the national banks were violating the law by charging usury, running all the way from legal rate to 2,400 per cent.

The banks that did not violate the law should at least insist that the list be published, and violators be punished.

But why not follow the system of every other department, and every other branch of the Treasury Department, and pay a fixed salary for services, no private profit, or graft, and apply the same rigid rules to punish violations of the law.

There is no other department of government that would permit such gross violation of laws to go unpunished.

There is no other department of our government, whose only remedy for perjury, speculation and violation of laws governing their department is threatened publicity. Up to the present time we have had only one Comptroller of the Currency, the present incumbent, who has had the courage to even protest, and that is all he can do.

The Bankers Defiant.

But that is not all the sinners can do. They boldly denounce the Comptroller as a "pernicious meddler," and the counsel of the federal reserve board in session have unanimously recommended that the office be abolished, which, if acted upon, would legislate him out of office.

If they make the attempt every honest voter, regardless of party, should make an earnest protest.

Special privilege is, as a rule, a temptation to dishonesty, which the tempted rarely resist.

In the interest of the bankers themselves we should repeal their special privileges, and administer banking as a real public utility.

GOVERNMENT MONEY DIRECT WITHOUT INTEREST.

There are a good many earnest, intelligent students of political economy who know that the government is the sole source of money, that it cannot be legally issued by any other body, unless Congress delegates the power, as it has to the Federal Reserve Board and banks, without a constitutional amendment. But who will raise that issue? The law has been accepted, and is in operation, so let it pass. The constitution is no barrier to private monopoly, anyway.

When it has been advocated that the government should issue money direct without interest, it has been ridiculed as impossible and absurd and by none so earnestly as by "our natural pilots," the national bankers. The question to consider is, is it impossible, or absurd?

The facts are: that all money and currency in the United States are issued now, and always have been, direct by the government, without interest. Now let us go over the list of present money and currency, and see if that statement is not true.

The law of 1873 provided a charge of one-fifth of one per cent for the conversion of standard gold bullion into coin; ninety per cent paid when deposit was weighed, eight per cent after trial assay, and two per cent after final assay.

Now that the national bankers are anxious to decoin money in large amounts, and to save them loss of interest, the rules were modified in 1915, see report of Director of the Mint, p. 7: "In order that no injustice might be worked to depositors of foreign coin because of the delay incident to the melting and refining of it, the regulations governing the handling of precious metals were so modified, with your approval, as to permit the payment of ninety-nine per cent of the value of said deposits, ascertained upon their

being weighed immediately after receipt, when presented in sums of \$1,000,000 and over."

Wherein the injustice? There was no compulsion. They could have secured gold certificates on foreign coin immediately. But here was an opportunity to demonetize a lot of gold coin, and they did it for an object.

It will be noted that the producer, who seldom has a million at one time, can get only ninety per cent "immediately after receipt."

There is no interest charged for the issue (coinage) of gold, nor can I see that there is any charge at all for the coinage.

The government issues the gold coin and gold certificates direct into circulation, without interest.

For the silver bullion in the 570,272,610 silver dollars coined, the government paid \$216,786,014, making a profit to the government of \$353,486,596, less the cost of minting. A handsome profit, saved that amount of taxes to the people; but being issued direct, there was no profit to the bankers, so the real power behind the throne had a law enacted in 1873 to stop the further coinage of the silver dollar. This was partially restored in 1878, and in 1893, aided by a panic, and to "restore confidence," further coinage was stopped finally. There has been no interest charged on the direct issue of the silver dollars, or the silver certificates. There is a handsome profit for the government in the coinage of minor coins, but no interest charged.

There was a tax of one-half of one per cent on the issue of national bank notes, which were issued direct to the bankers, but no interest.

There is neither interest nor tax on the Federal Reserve Bank notes issued direct to the reserve banks.

The government paid out the greenbacks, direct, without interest, and everybody, except the banker, received them gladly. I think that covers every dollar in circulation, or hoarded in the banks. The great wrong and injustice in the system is that our money is issued direct, without interest, to one special class,

to whom is given an uncontrolled monopoly of a public utility, and as public servants they are appropriating too much for their services, and are using their power to control all production, industry, and commerce.

The advocates of "issuing money direct without interest" reason that the government should issue full legal tender money in payment for public service and public improvements, and redeem same by receipt for dues and taxes assessed by the government. To the extent of money issued this would save the present interest charges now raised by taxation.

"Impossible?" Certainly not; it is the past and present practice.

The men who control have enjoyed the privilege so long that they seem to look upon it as a vested right, and claim that the government should issue all money direct to them without interest, and delegate to them the authority to issue all the currency needed, they to be the judges of the need. That takes the government out of the banking business, restores confidence, and insures prosperity to one class.

To defray expenses, the government can issue interest-bearing bonds, and the bankers will take them at three and four per cent, paying for same in money or currency issued to them free of tax or interest, and the people pay the interest in taxes. If the people were not taxed, how else would they know they were governed?

Again, there is the danger that the government might issue so much for public improvements, such as state owned railroads for transportation at cost, that it would deprive them of another profitable source of revenue.

Then, again: there is the danger that the government might issue direct, without interest, a sufficient volume of money to enable the people to exchange their labor, and the products of their labor, without having to pay tribute to a private corporation, as we can now do, to a limited extent, by parcels post.

After all, it is a very simple question. Can the government issue a medium of exchange direct, without interest, to the individual units composing the government, and redeem same, at less expense than is being paid under the present system? That is the question to be considered

NEW SYSTEM, BANK DEPOSITS NOT MONEY, JUST CREDIT.

Paul Warburg's plan, as illustrated by Mr. Reynolds in his national speaking tour, explains the Federal Reserve Bank system. I quote from his address at Sioux Falls, South Dakota, June 7th, 1911:

"I say that the amount of money we have is a secondary matter to that of whether we can in times of distress, extend credit. The average man will be confused between the two, for the reason that the average person who has not given the subject consideration, is very apt to say that the deposits in banks are money.

"The proprietor of one of the largest newspapers in America sent the associate editor to me with a letter of introduction, and he said that he wanted to write a series of articles on the financial condition of America, and wanted me to steer him right. The gentleman began by making the statement that 'The people of this country are being fooled. They think they have been having an era of prosperity, but we have been investigating in our office and we find that the deposits in our banks are very little, if any, greater than two years ago. The people are being fooled, and I propose to write a series of articles and warn them.' He said, 'The banks of the state have twenty-five million dollars less than two years ago.' I said, 'You are wrong.' He said, 'I am not.' And he pulled out of his pocket a financial journal, and he pointed to a column of figures which showed twenty-five million dollars less than two years ago. I said, 'That is not money.' He said, 'Do you mean to say the banks' deposits are not money?' The associate editor of one of the greatest papers in the country was going to warn you people and was going to put you right in your financial course, because he knew you were wrong. I said, 'That is not money. That is credit.'

He said, 'How can you get credit without depositing money?' I said, 'Can you not get credit without depositing money? We will assume that you have stock worth one hundred and twenty-five thousand dollars. You don't want to sell that stock. You see a building across the street which you need in the operation of your business. You say, "I need that building, but I don't want to sell my stock." I say, "All right, I will take your note, and place the amount to your credit." Did you deposit any money?' He said, 'No, I guess I did not.' I said, 'You go across the street and buy the building and give a check, you have not deposited any money. That check is washed out tomorrow morning at the clearing, and so is ninety-five per cent of the business of the country.' * * *

"I submit to you if it was not an afternoon well spent if I prevented a metropolitan daily, one of the largest in the country, from coming out with a series of articles of that kind."

There are several texts in that interview well worth developing, but the one I wish to apply to the text of this article more especially is that \$95,000 credit on the books of the bank was drawn against by a check and it paid for the building. The check was presented to the clearing house next day, AND WASHED OUT.

Now see how easily and nicely that can be duplicated under the system proposed in this article. The government issues money, a note, or a due bill if you please, today, in payment for public service; it redeems the same tomorrow in payment of taxes, or dues assessed by the government, and the money, note, or due bill is "WASHED OUT." We thank you, Mr. Reynolds.

Another thought worthy of development is suggested. The borrower was the owner of \$125,000 worth of good stock. He gave his note to the banker for \$95,000 with this stock as collateral; now in reality, whose credit was that loan based on? Not the banker's. It was on the borrower's \$125,000 stock. The banker drew interest on the borrower's credit. Do

66 DEPOSITS MERE BANK CREDITS

you wonder now why they are so persistent in eliminating all money from circulation, and substituting therefor their bank credit?

A second thought or text would be, where the editors of great metropolitan dailies go to be set right on the money question, and is it not reasonable that they should?

Another text might be, the very clear exposition that this vast increase in cash bank deposits, boasted of as evidence of great prosperity, is an evidence of increased indebtedness and based on fickle bank credit.

GOLD: THE MONEY OF THE WORLD?

I am in favor of eliminating any provision for a gold base, or gold redemption for our national investment system. The federal investment bank notes are not intended specially to be "good in Europe"; but as a medium of exchange for home use. If they will not be good for foreign development, so much the better for home development.

If it be true that gold in itself is the natural world's money, because of its commodity value, then why not let it prove itself as such on its own merits? What should be necessary more than to stamp the weight on the piece of metal to make it pass current as money the world over? That should be the acid test. Instead, these gold-mania theorists insist that the value of gold must be bolstered up by an unlimited demand at a fixed price per grain of metal, and each nation using it as its standard, limiting this special favor to this one uncertain commodity.

That is not a fair test. As Herrick would say, it is "giving it a fictive value." In addition, they insist on each nation making it compulsory on every citizen of the nation accepting this one favored commodity as a full legal tender for all debt obligations; thus showing their own "lack of confidence" in the commodity value, and natural money absurdity.

The only true test would be the free, open, uncontrolled and unfavored world's market for the metal. There is not now, and never has been, a money of the world, or world's money.

One of the strong arguments in favor of the Federal Reserve law was, that if enacted it would enable us to extend our world's trade.

My plan for a federal investment bank does not interfere with the present commercial system. If they must have gold coin, a gold base, or a promise to redeem in gold, to promote foreign trade, let them

have all the gold; but I do not want American agriculture, or American labor, sacrificed by them to get it. This should surely satisfy the foreign traders. But the absurdity and insincerity of the claim was clearly demonstrated when the large increased importation of foreign gold during the summer of 1915 caused a near panic in the ranks of these same foreign traders.

If gold is necessary to develop foreign trade, the more gold, the more trade; and they promptly stopped the importation of this foreign trade necessity, by loaning the Allies of Europe a thousand million of dollars on mere government bonds "without any security whatever back of them."

A WORLD'S MONEY DANGEROUS FOR THE HIGHER CIVILIZATION.

I look upon the attempt to force a world's money upon us as the most dangerous to our more highly civilized nation. I cannot do better even now than to quote from "The New Monetary System" published by me in 1893, page 62:

"This has been presented to us very forcibly in the last few years. First: Local difficulties in the little republic of Argentina embarrass a banking firm in England, that came near causing a panic, not only in England, but the United States as well.

"Then Austria wants to strengthen her gold reserve and another panic is barely averted. Now at this writing, a political scandal in France is unearthed causing a run on local banks. The result is a heavy drain on us through England for gold, followed by the inevitable result of lowering of prices as usual. The nation needing gold worst will pay most for it in the products of labor. Labor always pays the bill.

"The farmers, practically unorganized, are at the mercy of the organized classes, and the inevitable result is that in that struggle and scramble for our share of the money of the world, it is the products of the farm that must be exported to be sold in the

world's markets in competition with the poorer paid labor of Europe, Asia, Africa and South America, at the world's prices, for our share of that world's money, be it gold, or silver, or both combined; and when a monetary disturbance or change of financial policy, or political upheaval, occurs in any part of the world using the same kind of money, every nation in the circle is bound to suffer from its effects.

"A so-called money of the world is a VERY DANGEROUS THING, and of advantage to the money-changers, speculators and usurers only.

"It will thus be seen that even on a gold and silver basis, the supply is unequal to the demand, therefore we must have an additional basis for our money if our civilization is to be preserved and fostered.

"Not only that, but we must have a distinctive money of our own.

"That is what we mean by a NATIONAL CURRENCY—a currency that will remain with us to transact our own business—the exchange of the products of our labor. That will not be competed for by the pauper labor of Europe, Asia, or any other foreign country. It is only because of the great, natural, new resources of our own country that we have thus far been able to keep our labor above the common level. A money of the world will eventually force us down to that common level of prices, misery and degradation. It can and must be averted."

"In answering one of my critics, in The Farmers' Open Forum last July, I think, I said: 'A world wide money is a very great fallacy. There is no such thing, and I hope there never will be. The attempt to make gold such, is fraught with gravest danger to the more highly civilized and enlightened nations. It would inevitably drag us down to the world's level of labor conditions. Given a world's money, limited to one commodity, depending wholly upon the chance of discovery, at present monopolized by a very few, and the result regardless of the tariff or any other consideration or restrictions would be a competition

by the world's producers, for this essential thing—gold. The country offering most of the products of labor for the dollar, would get it.' ”

In the “Commercial West” of Minneapolis, of date September 4th, 1915, in a market review, I find full confirmation of this view of mine expressed twenty-three years ago: “If the Dardanelles be opened, Russia has a surplus from two crops to export and her financial condition is such she will gladly exchange wheat for gold at a lower price than any other country, no matter how low that price may be.”

Wheat and Cotton Our International Money.

There is no question about it, our farmers will have to meet their prices, and the pity of it is, that the small amount we might have to export would fix the price for the whole crop. I want a free American dollar for the exchange of the products of American labor, that will respond automatically to the demand for use. To paraphrase the greatest statesman of Europe, Lloyd George, who recently said that “coal was Great Britain's international coin,” I would say that wheat and cotton are our international coins, It is with these that we pay our foreign bills. Let me repeat: It will always be the great unorganized and unprotected industry that will be sacrificed in the world's markets for a share of a wholly unnecessary metal on which to base a medium for the exchange of our own home products.

How much more simple, safe and sane, to base the medium on real wealth, or on the products to be exchanged.

It is very absurd, when you come to think of it, that the most advanced and highly civilized nation on earth, and we will all admit that we are IT, and with unsurpassed inventive genius in production, we have never yet been able to devise a system of exchange of labor, and the products of labor, except that one of thousands of years ago, when it was decided by some one, who probably owned a gold or silver mine, that there could be no exchange beyond personal barter,

until some one accidentally found a piece of rare yellow or white metal, or a little yellow dust.

If we could only realize the object lesson so plainly taught us in the gold and silver certificates, had they truly represented the coined metal, that money based on value is just as good as money stamped on value, and much more convenient; but they are merely a promise to pay in the coin; and the further fact that it is immaterial what that value is, so long as it is value, we would solve the problem very quickly. JUST READ THAT ONCE MORE.

The Pound Sterling and Foreign Exchange.

The "pound sterling" is a piece of gold weighing 123.274 grains eleven-twelfths fine, stamped by the British government, and called a sovereign. I used to wonder why it was called a "sovereign." I do not any longer. What is the definition? "Sovereign; possessing supreme excellence or greatness; preeminent; paramount; superior in efficiency; most potent; to rule over as a sovereign; to exercise sovereign power."

A true definition of the power of money monopoly to rule over us.

During the year 1915 for several months the great disturbing factor in American business was the value of the unchangeable "sovereign," the "pound sterling." For ages we had been told, and believed it—that is, most of us did—that gold was the one thing that never changed in value, and because it was the only commodity, unchangeable in value, it must be used as the measure of all other values.

They forgot to mention that if all the gold standard nations agreed to pay one dollar per bushel for wheat, wheat would never go below that price, so long as the nations continued to pay that price. It might go higher, to a premium, as gold has so often done, but never lower. The same is true of silver, cotton, or any other commodity.

Our forefathers had the courage to break away from Great Britain's political sovereign, but they did not realize, and their descendants do not yet, that their gold sovereign has been an infinitely greater tax collector than was King George.

Now that we have long outgrown the mother country, and boast of our superiority, we are still in bondage to Great Britain's bit of metal, the "pound sterling," a sovereign.

During the summer months, and more especially with the reports of our wonderful increase of farm products, that was so badly needed by the warring nations of Europe the fly in the blessed ointment of prosperity, was the unbelievable, unheard of, daily change in value of this hitherto unchangeable commodity.

Who raised this cry of alarm? Was it the producers of wealth? The farmers and laborers? Professional men? No, strange to say, it was our bankers and money-changers who had always in the past insisted that the gold metal, the British sovereign, the world's money, the pound sterling, never changed and could not change in value.

The reasons given by our banking journals would be amusing, if it were not for the effect it had on the value of uncontrolled products.

The trust controlled products increased in price, because protected by a tariff and a community of interests, but the uncontrolled, unprotected farm products decreased in price.

This in the United States where we were at peace with all the world, and industry enjoying the greatest boom ever known, exports unprecedented, and yet the daily change in the value of the British sovereign seriously affected our industries. What an invincible argument in favor of an American dollar.

The value of the sovereign declined from \$4.85 to \$4.50, declined 11 cents in two days, and, strange to say, this change in value not only of the "pound sterling," but American products, without the coin

itself being visible to the general public; in fact it had gone out of circulation in Europe and practically so in the United States.

That is a trick this cowardly sovereign has always played at the first note of real need. It is the greatest coward known to history. I think it must be the "mollycoddle" for which so many of us have been looking.

August 28th Great Britain ordered the post office to discontinue gold payments.

September 9th a special from Petrograd said the largest hoard of gold in the world is that held in the vaults of the Russian state bank, amounting to \$850,000,000. Yet a visitor may travel from one end of the Russian empire to the other and not see enough gold to buy a pair of shoes.

Minister of Finance Ribot of France issued a patriotic call for the peasants and all others to bring in their little hoards of gold, and it disappeared not only from circulation, but was also taken out of the secret hiding places and given up for paper currency and francs.

The same was true of Germany, Austria-Hungary, Italy, and all of the other nations. Will the people never learn a lesson so plainly writ?

If paper currency, based on the faith and credit of the nation in its hour of greatest weakness and need, will pass current and serve all the functions of a medium of exchange, is it not absurd to claim that it cannot serve the same purpose in the days of peace and greater prosperity!

From the Grain Growers' Guide, Winnipeg, Canada:

"In normal times one pound in London is worth approximately \$4.85 in New York. Recently the value of the pound has fallen considerably and the last quotation showed the pound sterling worth only \$4.67 in New York. This means a loss to the producer of 18 cents on \$4.85, which works out approximately three and one-half cents per bushel of wheat."

Then when the pound sterling dropped to \$4.50, as it did in September, the loss on wheat was seven cents per bushel. Just because a foreign coin changed in value. The same was true of the German mark, the French Napoleon, the Austrian crown, the Jap yen. Spurned, discredited, and dishonored, as they came to the United States, they were all dumped into the assayer's pot and decoined. "How have the mighty fallen"!

GOLD.

The average reader will be surprised to learn that the conspiracy to contract our currency and lawful money by withdrawal and decoinage should have included the sacred joss—gold—but such is the case.

I do not know what the pretense was for the enactment of the law of July 12th, 1882, authorizing the issue of gold certificates for gold coin, stored in government vaults, but I presume that it was in the interest of economy, or convenience, or something of that kind. If economy and convenience, it proved so for the bankers, in the saving of gold coin by abrasion, and economy, especially in transportation charges.

But if that was the real reason—and this is a very important question—why was not the gold certificate endowed with the same quality of lawful money as the gold dollar it was supposed to represent?

The general public was led to believe that it did, and from inquiries I have made I think I am safe in saying that nine out of ten bankers believe so today, and store them in their inner vaults as lawful money reserves.

Well, they are not lawful money. It would not have cost them a nickel a million dollars to make them so. Just added the words "A full legal tender for all debts, public and private." They are simply a note; a promise to pay a gold dollar if you present it to the United States Treasurer in Washington, or an Assistant Treasurer. They pass current, as money, under a false pretense.

They will not pay an obligation, calling for lawful money, or even "gold coin" if the holder of the obligation insists on being paid "according to the contract."

Now do not jump at the conclusion that it is all right, that you can send them down to Washington and get the genuine gold dollars for them. Just wait until I finish. Remember the bankers' panic of 1907. "There is a reason."

The great victory of 1907 encouraged The House of Morgan to rush matters all along the line. Twenty odd years ago, I predicted that if the time ever came when there was danger of gold becoming more plentiful than silver, the national bankers would not hesitate to ask for the change back to silver, and demonetize gold.

They hold up their gold joss for you to worship, and they laugh, while you bow in reverence.

The world's production of gold in 1873 was \$96,200,000, and had been declining for the previous thirteen years. By 1890 it had increased to \$130,650,000. The striking down of silver in 1873 had encouraged the production of gold. Then it began to increase more rapidly and by 1908 had increased to \$442,476,900, almost 500 per cent. This was a real annoyance.

The production of gold was almost twice that of silver. To go back to silver would mean a revival of silver mining. To ask for the demonetization of gold would give their case away.

We will give credit to Mr. Warburg for the plan of accomplishing the same result, without the knowledge of the people, or even of Congress, and I fear too few know it yet.

The first notice we have of the move was in the report of the Secretary of the Treasury for 1909, when he recommended that the Secretary be authorized to issue certificates against gold bullion and foreign coin. This was renewed strongly in his 1910 report and enacted in March, 1911.

Mr. Warburg has proven that you can eat your cake and have it.

They can now destroy gold as money by decoinage, and still have a certificate promising to pay in gold dollars, not in existence, based on the uncoined bullion, to use if they wish. Or they can use the gold bullion, or certificates based on it, for their cash lawful money reserves.

They can also use the uncoined bullion which is not money, as a base for the issue of two and a half times as much currency in the form of Federal Reserve Bank notes. So for all practical purposes they can demonetize, by melting, and yet use as money, paper bank notes, based on a mere commodity—gold bricks—by the decoinage of gold.

They are accomplishing one of their purposes; the contraction of the volume of money, but the greater object will appear later.

Now note how quickly and effectively they make use of the law.

For the four years prior to the enactment of the law there was an average coinage of \$117,980,714. The year following the enactment; that is, for 1912, there was only \$12,749,090 coined. The average since then has been \$32,405,785. About one-fourth the previous coinage. The production for the five year period showing a small increase.

We are using in the arts annually over \$40,000,000 of which \$3,500,000 is coin. We are decoinage—demonetizing—annually \$121,480,714.

In the law for the decoinage of gold coin, which is nothing more or less than demonetizing gold, the conspirators overlooked one very important point, which should be a good object lesson to every citizen, viz.: that this government note, a promise to pay a dollar although not lawful money, is performing all the functions of a medium of exchange, except that of lawful money; to the full value of the bullion.

Or to put it another way, that money based on value is just as good as money stamped on value, and much more convenient.

Although the gold certificates are not lawful money for the debtor, they are for the banker, who can and does use them as lawful money in his cash reserves. A special privilege, and gross discrimination, in line with the uniform custom, in all our monetary legislation, and in strict accord with the plan outlined by Warburg.

Then, if that be true, and it is, money based on any other stored commodity and made an obligation of the government, would prove just as good, and just as convenient.

Keep that in mind. It is the true solution of the money problem.

Lawful Money in Circulation.

The Comptroller of the Currency secures the reports of all other than national banks but once a year and publishes them as of date June 30th.

This data is gathered from his report, and the monthly reports of the Treasury Department, and will be as of June 30th, 1915.

General stock of money in the United States July 1st, 1915 (this includes all forms of currency as well as lawful money)\$3,997,368,468
For the purpose of this chapter we must deduct all currency:

Minor coin (legal tender limited to \$10) \$	158,934,817
Gold certificates	1,076,637,759
Silver certificates	482,713,988
National bank notes	786,643,647
Federal reserve bank notes	80,501,710

Currency to be deducted\$2,185,431,921

Lawful money in United States June 30th, 1915\$1,811,936,547

There are two very important factors to be considered in this connection:

First. Is this lawful money in actual circulation?

Second. Can it be secured promptly in case of another "bankers' panic" like that of 1907, by the

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debtor who has an obligation to meet, payable "in gold coin of the present standard, weight and fineness" or even in lawful money?

I maintain that money hoarded, whether in bank vaults, or in the proverbial tin can, or stocking is not in circulation, and useless as a medium of exchange, or for debt paying purposes.

Lawful Money Located.

Where was the lawful money on that date. , of course, cannot locate all, must depend on official reports. On page 121 we find the report of 27,062 banks of all kinds reporting. This does not include all.

Gold coin	\$208,611,342
Silver coin	62,08,534
Legal tender notes (greenbacks)	179,06,993
Cash, unclassified	73,58,011
Federal reserve banks (p. 136) gold.....	321,08,000
Other lawful money	37,12,000
Held in U. S. Treasury as assets	
monthly report	206,26,508
Held by Federal Reserve Agents	
against notes	12145,564
Standard silver dollars	7910,351
United States notes (greenbacks)	14645,022

Total located\$1,124,129,325

This would leave unaccounted for \$688,80,222.

Only a little over half of the greenbacks are accounted for, the rest are probably lost or destroyed.

When we deduct from that the greenbacks lost or destroyed, the money hoarded by private individuals, and the money in the 3,003 banks not reporting, and in the tills and pockets of business and traveling men, we have it about all accounted for.

True, by December 31st there had been an increase of money in the United States reported, principally from gold imports, but that will not help the situation as it was promptly declined at the

New York assay office, and within a very few years, that and several hundred millions more will be returned to Europe.

Now look over that list carefully, and you will note that it is practically all tied up in reserves, or held out of circulation.

Our public and private debts are estimated as between one and two hundred billions of dollars; call it one hundred billion. The greater part of the obligations are payable in "gold coin of the present standard, weight and fineness."

This is especially true of farm mortgages where neither greenbacks nor silver will apply. The balance is payable in lawful money. And on the smaller estimate there is one dollar of lawful money to pay \$10 of debt. But, you say, we can get the money to pay if we have the goods, etc. Yes, at present. But the House of Morgan must control more than half of those obligations; suppose they decide the time is ripe for another "ingathering" like that of 1907 then what? Do they want those obligations paid in old coin? If so, why did they rush all gold import to the assay office to be melted for bullion instead of having them coined.

GOLD COIN HAS CEASED TO CIRCULATE AS MONEY.

The fact is that gold coin has ceased to circulate in the rest of the world and has practically ceased to circulate in the United States.

We have practically ceased the coinage of gold; one mint has already been permanently closed, and we are now using more in the arts than we are coining, and we have already decoined more than one-fourth of our normal volume of gold.

In addition the Allies of Europe are piling up millions of obligations here, payable in that rapidly increasing "American gold dollar." The men who control the obligations, also control the gold coin, and the gold bullion which they will not have coined. The bankers can use it as money, but you cannot.

Even if you could get the foreign gold coin it would not pay your obligations here. Neither would our own gold dust, gold nuggets, or refined gold bullion.

The rapidity with which gold is being concentrated in the vaults of the Federal Reserve Banks, which means the House of Morgan, and especially in New York, is astounding. Let me quote from the Treasury statement of December 31st, 1915:

"The total reserves of the banks show an increase of about 102.9 million dollars, while their aggregate gold reserves show an even larger increase of 15.9 millions. The gold reserves of the system include besides the gold reserves of the banks also the amounts of gold turned over by the banks to the federal reserve agents to reduce the banks' liabilities upon outstanding reserve notes.

"The amounts of gold held by the agents increased from 12.3 millions at the end of 1914 to 70.6 at the middle of 1915 and to 197.4 millions at the close of the year. The increase for the year in the total

gold resources of the system was over 301 million dollars, the larger portion of which represents the gain in the agents' holdings. Of the total gold reported at the end of the present year, 406.5 millions, or nearly 75 per cent, are held in the banks or in the reserve agents' vaults, while 135.9 millions are either in the gold settlement or in the gold redemption funds at Washington. About one-half of the system's gold is held by the New York banks and reserve agent, less than 7.5 per cent by Chicago, less than 6 per cent each by Cleveland and Richmond, over 5 per cent by Boston, while the remaining 25 per cent is distributed among seven banks and reserve agents."

Nothing could be plainer than the trend towards New York.

When Shylock gets ready to demand "the pound of flesh according to the contract," there will be less than one dollar in gold coin outside Shylock's vaults to pay \$1,000 of gold coin obligations. Once secured and paid in it will remain in their vaults until brought out by a premium.

There will be just one thing for the debtors to do: pay the premium for gold coin demanded, or give up their property secured in liquidation. You think they cannot do that. They did during the Civil War, and ran it up to 278. Oh! that was a long time ago; they could not do it now in a time of peace!

How short our memories are. They did it in 1907, in a more exaggerated form, in that they demanded a premium to pay their own obligations to interior banks. My authority is the present Comptroller of the Currency in his last annual report, page 51:

"And that the member banks will not again be met by conditions which forced them to pay a premium for currency in order to transact current business, as was the case in 1907, when correspondent banks refused to ship currency at all, or, if they did, demanded a large premium on the transaction."

Even during the year 1914 we find in the first annual report of the Federal Reserve Board, page 12, the

following: "The consequence was that rates for drafts and cable transfers rose to prices which were equivalent to a substantial premium on gold."

Not quite nine years ago, under the presidency of that strong denunciator of the "malefactors of great wealth," Theodore Roosevelt, who, not only permitted, but approved of that gross violation of law. He had to. Morgan was a little BOSS then; but the House of Morgan is SOVEREIGN now.

Some states like South Dakota think they have met the situation by enacting that such obligations can be paid in "lawful money." But the wonderful efficiency of Warburg seems to have guarded against every possible contingency, except perhaps; an uprising of the people.

We have three kinds of "lawful money": gold coin, standard silver dollars, except where otherwise stipulated in the contract, and United States notes (greenbacks). The bullion certificates and the silver dollars are being gradually withdrawn. The law of 1911 and the Federal Reserve law have provided for the elimination of gold coin. The gold certificates will serve as lawful money for the money power, but not for the people.

In dealing with the legal tender greenbacks I quoted what I heard Mr. Reynolds say, and the advice he gave to the bankers of the whole country by having it printed and distributed for their benefit.

The National Bankers Association have assumed "the moral courage" and have unanimously decreed that the greenback must go.

The bill will be in the interest of economy, to save another billion dollars of waste, and I expect to see it enacted. This administration, like the two preceding ones, have conceded everything money monopoly have asked, and they will concede this. It may or may not be put over until after the general election, to save embarrassment to candidates.

It is a small concession compared with the Federal Reserve law, and a very necessary part of the plan for

the substitution of the bankers' credit for government money. The greenback will go.

That will leave the standard silver dollars. I see the usual approach in the official reports of the Treasury Department to retire them. The expense of re-coining uncurrent worn silver coins. Instead of the holder suffering the loss, the government does. Then there is another report showing the face value and the bullion value, etc. Of course they will demand "an honest dollar" and all that. Then there is a statement of the storage space necessary, to store our silver dollars. If you are interested to know, it requires 1,250 cubic feet. The bankers' credit for same amount does not require a single cubic foot.

Yes, the standard silver dollars will go. It will be all the same whether a Wilson, a Root, a Taft, a Hughes, or a Roosevelt will be elected president. Both old parties are committed to the program.

"What will the harvest be" if we continue to trust these men with such vast power?

We read daily of the terrible loss of life and the worse suffering for years of the maimed. The daily slaughter of the innocent non-combatants, the starving millions of the ravaged territory; the worst the world has ever known. But should the conspirators within our own country succeed the suffering in these United States will be greater than that caused by all the ravages of war, because more prolonged.

The head of the House of Morgan becomes the financial agent of the Allies of Europe. He secures for them a loan of billions, on doubtful security, or as Mr. Reynolds, one of the arch conspirators, would say, "without any security whatever back of it"; just the promise to pay by the several countries borrowing, and at a rate of interest one-half the rate our average farmer has to pay, "with the best security in the world" back of him.

In addition he becomes purchasing agent for them on a commission.

Not content with that; and here I wish I could reach every business man in the nation, to warn them

of what they may expect, when the House of Morgan completes their conspiracy.

The war contracts have been enormously profitable. "There's a reason." If a man has a plant, and wants a contract, there is nothing doing, until an agent of the king comes around, and if he secures a controlling interest in the firm, a fat contract follows.

Still unsatisfied, they want to prolong the era of profit making, by embroiling us in one or two foreign wars. That is what the greed of man will do and dare for gain, and more gain.

That is the private business standard of the group; now we turn to the public service side.

PUBLIC SERVICE A PUBLIC TRUST.

I maintain that any man, or group of men, who secures a charter from the public to operate, or administer a public utility, thereby becomes a public servant, and as such is subject to public control, and entitled only to a reasonable compensation for labor and investment, over and above expense of administration. All over that belongs to the public, and if appropriated to private use is in violation of a public trust.

That rule applies to all public service corporations alike.

I am not going into the thousands of exploitations that have been shown up in the press. I will simply refer to two of the best as types and with which you are familiar. The one deals with the tax on transportation which so vitally affects every industry in the nation; and the other with the tax, or interest, on our medium of exchange, which controls every industry in the nation, transportation and all.

'One of the best of the type was known as the "great empire builder" of the west. He was the manager for many years of a great public highway; a public service corporation. A most successful manager. With nothing to invest but his ability, he has divided billions of profits among himself and associates.

As a sample, a few years ago the press reported, as one of the many juicy melons cut by him, a dividend present to the stockholders of \$400,000,000. That, and many other dividends, in equity and justice belonged to the producers in this great "zone of plenty," and never should have been taken from them in excess freight rates. Having taken it, he did not render a just account of his stewardship.

There must be an accounting some day.

He was one of the leaders in the small group, the inner circle of the men who control; and who are

striving for the terrible power referred to. If those who succeed him in management still cling to the law of charging "all the traffic will bear" there is real danger, and I have seen no signs of a change.

Another became known through the Pujo investigating committee of Congress. Mr. Baker, president of the City National Bank of New York, testified that his bank, during the preceding five years, had made an average profit of 285 per cent per annum.

When asked if he did not think that a dangerous power to place in the hands of a few men, he replied that it would be in the hands of bad men. The inference was that unlimited power might safely be entrusted to such well known good men as Morgan, Hill, Rockefeller, Baker and associates, who never took more than they could.

These men have hypnotized themselves into believing that they are public benefactors; that the development of the nation is safer in their hands than with the general public. What a pity that their splendid genius, energy and ability had not been directed aright for public service!

What a shame that you and I have placed this great temptation in their path, which has proved too strong for them to resist.

These men who profess to revere the constitution, handed down by the fathers, as too sacred to be amended, have not hesitated to appropriate for their own private use and personal gain the most vital section of that sacred document. See Art. I, Sec. 8, No. 30.

They have the power now; the only question is, as to what extent they will use it. There is great danger in the propaganda for "preparedness" against a wholly improbable danger from abroad, being made the paramount issue in the ensuing campaign, and side-tracking you from the vital issue, the real danger from within our own borders.

It is a real and immediate danger, and the pity of it is, that it will be the great unorganized and unprotected industry of agriculture that must in the nature

of things suffer most. Will you help me expose and defeat this, the greatest conspiracy of the world's history.

I do not claim that the government officials who recommended the changes in their reports did so with any ulterior motives. Shrewd, efficient, plausible men like Paul Warburg and Geo. M. Reynolds could point out to them the advantages in saving, or efficiency, in such a convincing manner as to make them think that they were doing a real public service.

I have heard Mr. Reynolds talk to the bankers, and I KNOW the effect it had on them. Imminent bankruptcy must have been their nightmare, until the Aldrich plan was enacted into law; and what a powerful influence those bankers exerted in a quiet way in every village, town and city in the nation, for I have reason to believe that Mr. Reynolds' address was sent to every banker in the nation. It was a wonderfully effective campaign. Very soon after the meeting my opinion of the address was published in one of our daily papers, and so far as I know, it was all that was given to the public.

I do not charge that all of our representatives in Congress understood the import of the several changes required for the substitution of bankers' credit for government money.

We have not been electing our representatives and United States senators because of their knowledge of political economy, or the needs of legislation to safeguard the free exchange of labor and labor products.

With few exceptions, our national legislators are "selected" by the political machines of the two dominant political parties, as a reward for past party service, and an assurance that they will "play the game"; and, you the voluntary slave of your party, "elect" them.

The party machine selects, and you elect.

Now frankly, to whom do the Representatives and United States Senators owe their allegiance? Not to you; you had nothing to do with the selection; you

simply ratified it. You would have done the same for the meanest man in your party, had he been selected.

I have heard men boasting of their party loyalty say that they "would vote for a yellow dog, if nominated by their party"; my usual answer was, if you think a yellow dog can properly represent your principles, you are doing just right in voting for him.

To whom does the party machine owe its allegiance? Not to you; they own you; but to the men or interests who furnish the campaign funds. They had you secure; they must have campaign funds to "influence" the floating voters, and pay party workers. The interests desiring legislation are wholly non-partisan, and never contribute a dollar until they have an understanding with the political machine.

Party loyalty is the bane of American politics. You tell me in advance of an election, what interests are financing the campaign of an individual, or a political party, and I will tell you what their record will be if successful at the polls.

After all, the responsibility rests with the individual voter.

I claim that the reasons given for every amendment or change in our monetary laws were deceptive, and the reverse of what the people were made to believe was intended.

The same will be found true of all monopoly desired laws. I have already touched on a few of those, so will not repeat, but it is safe to take that as a guide for the future.

The most effective weapon has always been a panic, or a near panic.

There is nothing a political party in power dreads so much as hard times, industrial disturbances, business depression, idle men, free soup houses, etc. It reflects upon their administration. I do not claim that President Roosevelt was responsible for the "bankers' panic" of 1907. I do claim, that when the panic was on, he became panic-stricken, and thereby an accomplice of the House of Morgan in all of their designs

as I have previously shown, and aided them later in securing the legislation they desired.

Had he had the moral courage to have seen that the national bank law was enforced, there would have been no panic.

I also claim that the House of Morgan still retains the strangle-hold on him they secured in 1907. This was demonstrated clearly by that midnight visit to Sagamore Hill by Geo. W. Perkins, when he induced Colonel Roosevelt to "throw his hat in the ring" to prevent the nomination and election of Senator La-Follette for president.

That his campaign was financed by money monopoly through the medium of Geo. W. Perkins to whom he continues to give allegiance, and that if elected then, or in the future, he would be in honor bound to carry out the policies of the men and interests who financed his campaign. I am not going to accuse him of cowardice. Of physical courage he has plenty. But in my opinion his ambition and love of power predominate. When Perkins took him up into the mountain, he did not have the moral courage to say "Get thee behind me, Satan."

His successor, President Taft, was selected to carry out the Roosevelt policies, not the openly avowed policies, which some one sarcastically said President Taft was "carrying out on a stretcher," but the secret ones of money monopoly, which was carried out to the letter.

It required no coercion. By nature, environment, and instinct, in my judgment, he was theirs, without a struggle.

Better things were hoped for from President Wilson, even if not expected. But the record up to date demonstrates conclusively that his administration will go into history as the most disappointing to the people, and the most satisfactory to private monopoly, of any in the history of our country.

In the Federal Reserve law it has given them more than was asked of Roosevelt or Taft, and all that was needed to clothe them with full constitutional and

legislative power to change our monetary system from government money to a private monopoly of bank credit.

President Wilson got the title and preamble; the House of Morgan got the substance—the kernel. They are now in supreme control.

Their plans and methods have been cruelly efficient and efficiently developed by the master minds of Warburg and Reynolds. I am simply giving you the facts as I have gathered them, the object aimed at, as I see it, and the power the House of Morgan now possesses. Too great a power to be conferred on any group of men, even of the best men living today.

It is not right that we should place such temptation in their way.

Can you trust them to use that power in the interest of the whole people in view of their past record? That is up to you; YOU.

I do not claim, and will not, that all of the representatives and senators who voted for these measures understood what they were voting for. I am sure that many of them did not. They accepted the assurance of their party leaders—the machine—that they were all right.

If they were innocent when they voted for those laws, and now do not approve of them, it is their duty to vote to repeal them before it is altogether too late. Unless they do, we should hold them “to strict accountability.”

THE GREAT CONSPIRACY AS DEVELOPED.

The conspiracy is not new. It is as old as avarice.

It fastened its fangs upon our republic at its birth, and had so abused its power that it required a great national campaign under the leadership of Andrew Jackson to deprive them of that control.

Always alert, regardless of the effect on humanity, they took advantage of the necessities of the government during our Civil War to once more secure partial control, and have persistently followed it up ever since.

Wholly non-partisan politically, they are strongly partisan as a business organization. In Republican states they are Republican; in Democratic states Democrats; everywhere for the National Bankers' Association.

What they cannot secure by open argument, they can and do by impairing confidence, and cultivating the fear of a panic. There is nothing a political party in power dreads so much as a panic. Hard times means defeat, and money monopoly utilizes that nervous condition to accomplish their immediate design, and never hesitates to precipitate the panic, or semi-panic, if necessary to attain their object.

For many years their aim was to secure a monopoly of, or at least a control of, the money of the country. Of course, to do so it would help if they could limit the volume. The smaller the volume, the easier to control.

We were then on a bi-metallic basis. From 1850 to 1870 the world's annual production of gold had been decreasing gradually, and that of silver increasing rapidly, having more than doubled during that period. They feared that the rapid increase in silver production would make it impossible for them to control, and their fear was well founded, because in the next twenty years silver had again more than doubled, while the production of gold was still decreasing.

This rapid increase of metallic money, the production of which they could not control, must be met in some other way, and what way more effective than to abolish the double standard, and while doing so strike out the more plentiful metal, silver, by demonetization. But how could it be accomplished?

We were large producers of silver. The double standard was satisfactory. There was no demand for a change, except from the comparatively earnest few government money advocates—greenbackers—who saw very clearly what the inevitable result must be of any financial system based on any commodity, uncertain in quantity, and depending wholly upon the chance of discovery, as a medium of exchange of the certain and rapidly increasing products of labor.

But as usual, the bankers were equal to the emergency and by adopting the most absurd possible theory, "the danger of inflation," succeeded.

Every effort possible made to inflate production, all of which spelled prosperity, which must be accompanied with a decreased medium of exchange. They were apt disciples of Barnum, "the people like to be fooled." The first thing was to impair "confidence." When that was accomplished, by fear of a panic, etc., then the remedy was offered.

To restore "confidence" and "prevent panics in the future" silver must be demonetized. They did not succeed wholly, but did so practically, through the Republican party, and we no longer coin the silver dollar. Minor silver coins are not a full legal tender.

It is strange that the people do not catch on to this ever fruitful farce, or the quack doctors' financial prescriptions, which always fail.

The next important move in their plan was to get Congress to declare for the single gold standard. Confidence was being impaired by a doubt, etc. There was the danger of a panic unless this was done, etc.

The same old farce, but it succeeded under a Democratic administration by means of a panic pressure and "an endless chain."

Since 1870 the world's annual production of gold has increased rapidly, and is now about five times as much as it was then.

This increase, with future prospects, has been interfering with their plans. To ask for the demonetization of gold, as I predicted twenty-four years ago, would under such circumstances, expose them to ridicule, and thwart their plans in a very important particular.

Counting on securing a monopoly of gold, and using their power as creditors, a little over twenty years ago, they began demanding, in so far as they could influence, that all obligations should be made payable in gold. This was especially true of farm mortgages and obligations.

But to be sure that Congress might not later interfere with their plans by authorizing less gold for the dollar, as has been done by many governments in the past, including our own, they made the obligation read "payable in gold coin of the present standard, weight and fineness." The reason for this will be shown later, and for wickedness has never been equaled.

The next thing was to secure a monopoly of gold and lawful money.

The more of this gold or lawful money that could be destroyed as money, or withdrawn from circulation, legally, the easier to corner the remainder.

The substitution of gold and silver certificates which are not a legal tender, for gold coin and silver dollars would help, and this was accomplished.

The retirement of the greenbacks was another step. The substitution of bank currency for lawful money another.

I doubt if even ten years ago they had dreamed of being able to usurp by legislation the sovereign constitutional power of issuing money from Congress for their own private use and profit; or to demonetize as much gold as suited their purpose, by decoinage; or the still more revolutionary scheme of changing our financial system from one of government money to unlimited bankers' credit: a perfect monopoly of money

and credit, which carries with it the absolute control of all commerce and industry.

Incredible as it may appear, all this has been accomplished within the past ten years, except the retirement of the greenbacks, by an overwhelming majority of the people's (?) representatives in Congress, and hailed as a crowning achievement by our President.

It is to this ten year period, covering in part two Republican administrations and one Democratic, that I will in the main limit myself. This is yet current history that will be familiar to the present voting generation.

It is twenty-eight years now since I first realized the power of interest to accumulate over labor to produce and accumulate. I stated then that it was only a question of time when the men who received the interest would control.

I pointed it out clearly in my text book for the National Farmers' Alliance and Industrial Union, published in 1893, and I have watched the development closely ever since. Now that the conspirators are in power, and making such rapid progress towards the completion of their inhuman plans, I once more give the alarm in hopes that you will aid me in exposing the conspiracy, that we may prevent the dreadful results that must inevitably follow. There is no time to be lost.

In the Federal Reserve Bank law, and other laws, enacted during the past ten years the House of Morgan has secured the laws giving them the power to control. Are you willing to leave that power in their hands?

THE HOUSE OF MORGAN CROWNED SOVEREIGN

Are the men in control to be trusted to administer our greatest public utility, our medium of exchange, in the interest of the people?

Our best guide for the future is the past, and for this purpose it is not necessary to go back very far; just a few years.

Theodore Roosevelt as Governor of New York had proven to be something of an enigma. At every opportunity he declaimed against "predatory wealth," "malefactors of great wealth," etc., and at the same time could be depended on to serve "the system" on demand. At that time O'Dell was boss, and Harriman was the financial spoke in the New York state wheel.

To enable the "system" to raid the savings banks of the state a law was enacted authorizing the savings banks to invest in securities of certain railroads, of which the Chicago & Alton was not one.

In 1898 Harriman and associates secured control of the C. & A. which up to that time had been conservatively managed. In seven years they had increased the bonded indebtedness from \$33,000,000 to \$114,000,000, \$62,000,000 of which was water. It was a national scandal, the worst perpetrated, so far as exposed, up to that time. The bonds could not be floated.

In the 1906 investigation, when Harriman was asked if at that time he was not under obligations to O'Dell, he answered that O'Dell was under obligations to him, etc. The exposure prevented Harriman from selling the C. & A. bonds, so in his hour of distress he concluded to cash a political coupon, and turned to Boss O'Dell and the New York legislature, and had a bill introduced which was passed February 26th, 1900, for the specific purpose of authorizing the New York savings banks to invest in the Chicago & Alton

securities, and Mr. Harriman had a market for his fraudulent C. & A. bonds in the New York savings banks.

President Roosevelt and Harriman remained unusually close friends during his first term, and Harriman, at Roosevelt's request, raised a very large fund for the campaign of 1904.

For some reason President Roosevelt changed his allegiance to the Morgan group before the 1908 campaign.

It is not necessary at this time to go into that further, unless Mr. Roosevelt should again be a candidate for President. The correspondence was published in 1907 and we will close that episode by reprinting a plea of the New York Sun, an ultra-capitalist and administration organ:

"We ask Mr. Harriman to refrain from pursuing further the solution of the direct issue of veracity with the President of the United States which the President has raised. We are contemplating only the scandal, the spectacular indecency, the hideous immorality, in the broadest sense of the word, of continuing a contest, which, even if it could be brought to a triumphant conclusion by Harriman and his partisans, WOULD RESULT IN EXHIBITING THE PRESIDENT OF THE UNITED STATES IN A LIGHT FIT TO BRING SHAME TO THE CHEEKS AND SORROW TO THE HEART OF EVERY HONEST CITIZEN OF THE REPUBLIC."

The Bankers' Panic of 1907.

The panic of 1907 came like a clap of thunder out of a clear sky.

The people were wholly unprepared. Even the bankers of the nation, outside a small group in New York city, seemed to have had no hint of it.

There had been two groups of financiers contending for supremacy in the control of our financial and transportation systems; the one under the leadership of the Morgan-Hill group, and the other under the leadership of the Rockefeller-Harriman group. There

was also a third group coming into prominence, called the Heinze-Morse group.

It may never be known just what the real object was; we can only judge by the result. In criminal cases, where there is no direct proof, suspicions rest upon those who might be the beneficiaries. In this case it was the general verdict, and so recorded, that it was a "Bankers' Panic."

There had been a good deal of complaint of President Roosevelt. He had been playing too much for public support to secure a third term. He had a habit of declaiming against "predatory wealth" and against the "malefactors of great wealth," etc., which was very annoying to them. He would raise the lid of some oppression or extortion and threaten to prosecute, but just as soon as he was advised that he was hurting the party, he would smash down the lid, and sit on it, and that was the last of that proposition. He would then promise that he would "no longer run amuck." This was repeated so often that there might also have been a desire to force the President out in the open, and perhaps cause his defeat for renomination. But whatever the aim or object, I look upon it as the most important epoch for evil in our history as a nation. The opening of a campaign for the speedy substitution of bankers' credit for government money; of private control, by the worst element of the nation; of the commerce and industry of the nation, and even of popular government; and successful beyond belief.

In a speech in the United States Senate in March, 1908, Senator LaFollette, in speaking of the period just preceding the panic, that is, 1905-6, said:

"The fight waxed hot and reckless, and the country was startled with the revelations. The scandal spread. It involved the Equitable Life, the Mutual Life, the New York Life, the banks of the Morgan group, and banks of the Standard Oil group. Morgan and his associates made furicous efforts to suppress investigation, but the public demand forced it upon Governor Higgins, and the Armstrong committee began its work. It disclosed the relations existing between insurance companies and banks and railroads and in-

dustrial organizations and the use of hundreds of millions of money held in trust upon which the big men of the groups, banker and all, were drawing, in violation of every principle of honesty in the administration of public funds."

March 4th, 1907, a successful raid was made on the United States treasury by authorizing the federal government to deposit its funds with the national banks free of interest, but the smash in stocks continued.

However, it did not affect the country as a whole; that is, those who kept out of Wall Street. The year for legitimate business was one of our most prosperous. We had good crops and good prices; the farm values for the year had increased nearly \$500,000,000; bank deposits increased nearly \$900,000,000; the net railroad earnings had increased over 1906 by \$260,000,000. According to LaFollette:

"There were no commercial reasons for the panic. There were speculative, legislative, and political reasons why a panic might serve special interests. There were business scores to settle. There was legislation to be blocked and a currency measure suited to the system to be secured."

The central bank had been broached, but fathered by Aldrich it did not meet with favor, so the old tactics must be resorted to—impair confidence, promote signs of a panic to scare the public, and coerce Congress and the President into compliance with their demands.

It was an inopportune time for a President seeking re-election, or a party in power to commit itself openly, but the time had come for a trial of strength.

For some reason the President had transferred his allegiance from the Standard Oil-Harriman group to the Morgan-Hill group. It was also claimed that the Morgan group hoped to catch the Standard Oil group short, because of a large flotation of short time notes in France, by discrediting same and instigating a demand for payment. Then again, both big groups were after a smaller ambitious group just then be-

coming active in Wall Street and known as the Morse-Heinze group.

In October the trap was sprung by the bandits in a cold-blooded manner, for which those responsible should have been made to pay the severest penalty.

As a result, the Morgan interests gathered in the Morse shipping interests, which were competing with the New Haven railroad, and the Standard Oil gathered in the Heinze interests.

The Morgan group caught the one great and threatening competitor of the Steel Trust, the Tennessee Coal and Iron Co., and the Standard Oil the greatest competitor of their General Electric Co.

Lawlessness Unparalleled.

Surely that was enough to satisfy the greed of a gourmand, but no, they wanted to demonstrate their power in a way that would insure such legislation as they desired to complete their plans. They wanted to discipline Congress, and bring the President to his knees; he had been talking too much; it annoyed them. He must be made to do more, and talk less. This could be done most effectively through the people of the whole nation by an object lesson. And we had the object lesson!

In violation of the national bank laws the New York banks refused to honor the drafts of the interior banks, and they in turn were forced to violate the banking laws and refuse to honor checks of their depositors, and without an hour's warning there was no money in the interior to pay for our grain, and other farm products. The reason given was that the eastern correspondents had wired the local banks that they could not honor drafts, because the New York banks had ceased to honor their drafts. Everything locked up in New York.

Never was the power of the New York banks to paralyze commerce and industry the nation over so quickly and thoroughly demonstrated as on that fateful October morning in 1907. I speak from personal experience as to the effect on the farmers of the nation.

I had an unusually large crop of barley, and a large surplus to sell. I was selling four large loads a day, receiving from 90 to 95 cents per bushel. Sent in two loads in the morning, and was advised over the phone that they could not buy. Why? No money. Banks closed all over the nation, and local banks advised to pay out no money. Later in the day I was advised that if I would agree to take a check on the bank with the understanding that I would not draw out the money, just check against it, that they could pay me 45 cents per bushel.

The price was cut more than in two. Most of us had to make the sacrifice to meet our obligations, and avoid foreclosures of mortgages.

Those who could afford to, held back, but it did no good, because prices did not recover for that year's crop.

The trust-protected industries suffered temporary embarrassment only. There was no reduction of prices, because no forced sales.

What did the government do to help agriculture in this great crisis? Nothing. The sympathy of the President and the Secretary of the Treasury was wholly with the pirates of Wall Street who had planned the coup, and were making their millions and billions of dollars out of it.

Had we had a separate Federal Investment Banking system, such as I am advocating, the farmers would have passed through that panic without a loss. In fact there would not have been any panic at all.

For the closing scenes of that campaign for increased personal power on the part of the men to whom had been given almost unlimited special privileges as public servants, and their manner of using those favors I cannot do better than quote again from Senator LaFollette's address:

The Closing Scene.

"The floor of the stock exchange was chosen for the closing act, October 24th the time. The men who had created the money stringency, who had absorbed

the surplus capital of the country with promotions and reorganizations schemes, who had deliberately forced a panic and frightened many innocent depositors to aid them by hoarding, who had held up the country banks by lawlessly refusing to return their deposits, never lost sight of one of the chief objects to be attained. The cause of currency revision was not neglected for one moment. It was printed day by day in their press; it passed from mouth to mouth. The phenomenal interests were impressing the public in a way never to be forgotten. High interest rates must be paid for emergency money through the telegraphic dispatches of October 24th in every counting house, factory and shop in America. The banks refused credit to old customers; all business to new customers. Call loans for money were at last denied at any price. This put operators caught short or long on the rack. It spelled ruin.

"For the first time since the panic began, 11:30 A. M. arrived with everybody on the floor of the stock exchange wildly seeking money at any price. Interest rates which had for several days ranged from 20 to 50 per cent, began to climb higher. Settlement must be made before 3 o'clock. Money must be forthcoming, or the close of the business day would see Wall Street a mass of ruins and banks and trust companies on the brink of collapse.

The Terrible Climax.

"How perfect the stage setting. How real it all seemed. But back of the scenes Morgan and Stillman were in conference. They had made their representations at Washington. They knew when the next installment of aid would reach New York. They knew just how much it would be. They awaited its arrival and deposit. Thereupon they pooled an equal amount. But they held it. They waited. Interest rates soared. Wall Street was driven to a frenzy. Two o'clock came, and interest ran to 150 per cent. The smashing of the market became terrific. Still they waited. Union Pacific declined 10½ points in ten sales. North-

ern Pacific and other stocks went down in like proportion. Five minutes passed—ten minutes—past 2 o'clock. Men looked into each other's ghastly faces. Then at precisely 2:15 the curtain went up with Morgan and Standard Oil in the center of the stage with money—real money, twenty-five millions of money—giving it away at 10 per cent.

"Oh, uncrowned King!"

"None but himself can be his parallel."

"Even the dullest person standing by

"Who fastened still on him a wondering eye

"He seemed the master spirit of the land."

"And so ended the panic."

Senator Nelson said, in part: "In the state of Minnesota, prior to the tie-up in New York, we had been moving all our crops with western money. It was not until the panic started in New York, and until the banks of New York, Chicago, and other reserve centers tied up over \$30,000,000 of the funds of our Minnesota national banks that our local banks were forced to follow suit. The only way the bankers stopped the panic was by breaking the law, suspending payments, holding up the entire country. That is the modern way of stopping a panic, and it is an easy way. People submit to it. If the First National Bank of Alexandria, my own town, had suspended during that panic, and refused to pay, as it did not do, the Comptroller of the Currency would have been swift to have put it in the hands of a receiver and wound it up."

Why did the Comptroller of the Currency fail to comply with the law and put these big New York banks in the hands of receivers to be wound up, as has always been the custom? There was a reason.

What was President Roosevelt doing to stop this inhuman, ungodly, riot of mammon? Or what was he doing to help, directly, or indirectly?

The New York banks had secured from outside banks, and held in their vaults, \$410,000,000, subject

to call, according to law, and subject to be closed up and wound up if they failed to respond promptly.

With one accord they violated the law, and defied the officials sworn to see that the laws were enforced.

They had secured deposits, taxed from the people, free of interest, from the federal treasury of \$400,000,000, none of which was called for by the Treasurer to help the interior banks in distress.

They called on the administration for more help and Secretary Cortelyou responded with \$100,000,000 more, which emptied the treasury; still the demand was for more, and \$50,000,000 Panama canal bonds were sold and the proceeds went into the Morgan hopper. These bonds were not offered to the general public, but sold to the Morgan syndicate, 75 per cent of the purchase price remaining on deposit in their vaults, and the remaining 25 per cent quickly returned by deposits. The Panama canal was not in need of the money, and it was not raised for its use; but what was that as between master and servant? It looked like a misappropriation. Was it?

The northwestern bankers were in distress and were clamoring for a share of the public funds but a deaf ear was turned to them. Senator Nelson and other Representatives called on the federal officials and remonstrated, and urged that any further money be sent to the western bankers direct, but without avail; and Morgan insisted on more money.

Seventy-five millions in certificates of indebtedness were offered to the public at 3 per cent and \$15,436,500 sold and went to Morgan & Co. They had drained the federal treasury and the public to the limit. They had confiscated \$410,000,000 of their creditors' money, and appropriated \$642,000,000 of the people's money, by collusion or coercion, to the utter demoralization of and sacrifice of the nation's business. There was no protest by the Comptroller of the Currency, and no receivers appointed, as would have been the case with an interior bank.

It is fair to assume that the New York bankers had an understanding with the Comptroller in ad-

vance or they never would have taken the risk. It is also fair to assume that the Comptroller had an understanding with the President, or he would have followed the usual custom of winding up the banks.

Someone in the United States Senate kindly said that: "They held a dagger at the throat of the President, compelling him to issue more interest-bearing bonds for their special benefit."

The President might writhe in pain, or gnash his teeth in agony, in dread of the pending election, but they had made him; he was in their power, and they knew no such thing as mercy. It was then we needed an Andrew Jackson in the executive chair.

The Sherman Anti-Trust Law Also Violated.

The violation of one of our vital laws was not enough to satisfy the greed of these "malefactors of great wealth." There was a new competitor of the Morgan steel interest growing up in the south, a very valuable and promising property, which had been valued at over \$1,000,000,000. They got the men who controlled the company in their toils, but it would be a violation of the Sherman anti-trust law to take it over, as giving them a monopoly of the steel industry. Messrs. Gary and Frick were sent to see the President to get his consent and promise that they would not be prosecuted if they did absorb it. There was no "dagger" needed this time. He agreed promptly, but a pirate never takes chances. They insisted that he so instruct the Attorney General, and he did so.

For years these men had been trying to secure the repeal, or the amendment, of this law, and failed. This grave neglect of duty on the part of the President and Attorney General created such a scandal that a Senate committee was appointed to investigate. The committee consisted of Senators Kittredge, Overman, Rayner, Culbertson, Bacon, Nelson and Foraker. The report was unanimous that the President had no authority to promise immunity from prosecution (report 1110, 60th Congress.)

The committee also say of the President's letter to the Attorney General of date November 4th:

"We think it was, in effect, a direction to the Attorney General not to interfere but to permit the proposed purchase and absorption to be consummated. * * * Moreover the letter to the Attorney General shows that the legality of the merger was discussed and that the President gave the representatives of the Steel Corporation who visited him to understand that the action proposed could be taken if desired. It was not until this understanding was telephoned from Washington to New York city by one of the representatives of the Steel Corporation to another representative there that the purchase and absorption was made. In our opinion the President permitted and sanctioned the acquisition and merger."

In his message to the Senate of date January 6th, 1909, President Roosevelt said: "As to the transaction in question I was personally cognizant of and responsible for its every detail."

From the testimony, one George W. Perkins of the Steel Trust seems to have been the active representative of the Steel Trust.

That may account for his permanent hold on the ex-President.

The profit on that one transaction to the House of Morgan was estimated at \$955,000,000 on the purchase alone. What it means indirectly is hard to estimate. I have gone into this rather fully to show the character, or lack of character, of a few of the men to whom we are expected to trust our future destiny as a people and a nation.

"To cap the climax," when they had secured all they thought they could grab at that time, and when interest had soared up to 150 per cent, the sham battle between the two houses of Morgan and Standard Oil ceased, and Morgan and Stillman had divided the last \$25,000,000 received from the government equally between them, the panic was called off, and they were acclaimed patriots for having saved the nation,

by those who had not been beggared, or committed suicide. The tragedy of it!

The panic had accomplished much more than the conspirators had ever dreamed of. The House of Morgan was now in supreme authority in the United States. "The rule of reason" had been written in our court decisions; our most strenuous fighting President had been degraded and Congress scared into abject obedience; our vital laws ignored with impunity; and our prosecuting officials paralyzed. Senator Nelson said truly, "Holding up the entire country in the most lawless method I have ever known."

We read in ancient history that when the Roman emperors captured a distinguished chief, prince, king, or emperor, they exhibited their captive tied to their chariots in triumphant march through the streets of Rome.

The House of Morgan has improved on that. They had the captive chief, the President of the United States, ride in the chariot of state, and proclaim that the conspirators, the authors and promoters of the panic of 1907, the worst we had ever had, were benevolent, patriotic benefactors, for stopping their own panic.

It had been said that J. P. Morgan, Sr., was our uncrowned king; not quite so President Roosevelt in that proclamation, crowned him sovereign, with right of succession.

Private monopoly has neither sympathy nor mercy for a political party or politician in distress, and no gratitude for past favors.

The public man who puts himself in their power, is never again a free man. He must either "play the game" or retire from public life.

The distress of a political party or prominent public man is their opportunity.

MORGAN CABINET CHANGES TACTICS,

With a new administration whose members had for many years opposed anything bearing the brand of Aldrich, any effort to enact the Aldrich plan, known as the Reserve Association of America, would have been very embarrassing. Many prominent Democrats had exposed and denounced it in strong terms. That they then understood what the House of Morgan aimed at is evident. In the issue of The Commoner of date January 14, 1910, The Great Commoner, under the caption, "And Now He Wants The Central Bank," after enumerating the many financial institutions and industries controlled by this one House, said:

"With a total of more than ten billion dollars in resources in the above companies, Morgan, it is claimed in financial circles, can do about as he pleases with the finances of the country, no matter what monetary legislation is enacted by Congress and there is a feeling of wonderment in Wall Street today as to where the aged financier is going to get off. It is known that his recent activity in assuming control of the big banks, trust and insurance companies is all part of one general plan that was decided on by Morgan and his advisors following the panic of 1907.

"Closer control of banks and stricter restrictions for their management were the suggestions Morgan made when he was asked at that time what remedy there was for the panic and, judging from recent developments, he has set out to secure the closer control at any rate.

"And now he wants the American people to give him the central bank.

"Will they do it?" [Note.—Yes, inside of four years and with Mr. Bryan's help.]

Gov. Folk, of Missouri, another Democratic presidential candidate, was present at the Chicago Aldrich meeting and said of the Aldrich plan, in part:

"In my opinion the Aldrich plan is radically wrong in that it would bestow upon private interests through the medium of the proposed National Reserve Association, the control of the government of the country. The National Reserve Association suggested is nothing more than a central bank with a capital of \$300,000,000 and places in the hands of the interested financial interests the entire management of the money matters of the nation.

"The memory of the central bank which Andrew Jackson fought, its corruption of members of Congress and attempted control of the government itself, will effectually prevent this experiment being tried again in this country.

"The people will never consent to the delegation of such authority to private parties; and the result will be that the relief hoped for cannot be obtained. The command of the money supply is a governmental function and cannot be given to special interests with any reasonable hope of the authority being administered for all the people. The effect of the National Reserve Association would be to build up a money monopoly that could through its power practically subject all industries to its selfish ends."

These two distinguished, representative Democrats outlined correctly just what the Aldrich plan was intended to accomplish, and what the inevitable result would be. So the Democratic party had ample warning, and so had the House of Morgan, and neither gentleman could be nominated by the Democratic party for President.

Senator Aldrich promptly accepted the challenge of Governor Folk, and in language so plain that it could not be misunderstood, said, in part, as follows:

"In almost every generation we have had men who wanted to put the currency issue of the country into the hands of the government, but I can't recall anything quite so radical as this plan of putting the entire banking industry of the country into the hands of the government. We have had the Greenback craze

and we have had other crazes of every kind; they recur with every generation.

"So I expect that our present proposal will meet with the opposition of men who want to put into the hands of the government the power to issue notes and control the banking of the country.

Ready for the Fight.

"I am glad the contest is coming on that issue. Our predecessors all through the ages have fought that fight, and, if we must have it, we are ready. If, even though only for political reasons, we are to have that issue, whether the government is to control the note issue and the banking of the country, let it come."

The issue could not have been more clearly defined than it was by Governor Folk: "Money is a government function, to be administered for all the people."

Senator Aldrich replies: "In almost every generation we have had men who wanted to put the currency issue of the country in the hands of the government." He calls it a periodical craze. Just think of that from the acknowledged leading statesman of the Republican party for many years. An authority on financial legislation. Chairman of the big monetary committee, and author of the greatest financial bill ever prepared, etc.

Was he so grossly ignorant, or was he banking on the ignorance of the people? Is it any wonder that the average Congressman is so ignorant on the money question. How could they help it, following such a leader.

Why did Governor Folk say that "Money is a government function?"

Not that money should be; but is.

Because the very first article of our Constitution, Section 3, No. 30, says so. There has been no such agitation to put it there.

The exact reverse has been true, that the schemes have all been to deprive the government of that power, and the Aldrich bill itself, as was so plainly

pointed out by Governor Folk, was for that purpose, as is its successor, the Federal Reserve Act.

He says: "I am glad the contest is coming on the issue. We are ready for that fight," and then to make it clear he restates it "whether the government is to control the note issue and the banking of the country."

I have often wondered why Senator Aldrich abandoned his educational tour of the West after that first meeting at Chicago.

I think now that perhaps it was because he stated the object of his bill so frankly. On the issue as outlined such a revolutionary measure debated on its merits would have been overwhelmingly defeated. It was the first attempt to make a fight in the open.

Their policy always had been to secure legislation by stealth, or misrepresentation, and Mr. Aldrich was recalled and his plan abandoned temporarily.

The Morgan Cabinet Had Learned a Lesson.

When it was known that the National Bankers' Association favored the Aldrich plan, the average voter, and more especially the organized farmers, were against it, and the Aldrich plan was not presented to Congress. In fact, as already shown, the issue was apparently shifted to Rural Credits.

The Democratic party proved to be just as willing to serve the House of Morgan as were the Republicans; if it could only be nicely covered up. We will again give Mr. Reynolds credit for the plan, as he seemed to have charge of the Washington lobby, and it was very simple indeed. The Aldrich plan was to be rewritten with all the fundamentals retained, a few additions apparently in favor of the public, added, and the name changed to the Federal Reserve Bank law, and be known as the Owen-Glass bill. The National Bankers' Association was to come out in strong opposition to it. They played the part well; even going so far as to threaten to surrender their charters rather than operate under the law. The sham battle was kept up and worked like a charm.

A strong lobby was organized to fight the bill in Congress.

A "National Citizens' League" was organized, and a weekly official organ, "Monetary Reform," established to fight the bill.

That caught the unsophisticated public. What the national bankers so strongly opposed must surely be in the interest of the people, and the said people, without investigation, walked right into the trap, and supported the bill that was to free them from the power of money to oppress.

Ex-President Taft was discreetly silent, but his smile broadened.

It certainly was a nice thing for the editors, who for once could please both sides. "Monetary Reform" had declared repeatedly that the bill would not pass until amended to suit the national bankers, and Mr. Reynolds was so encouraged with the progress he was making and the yielding mood of Congress, that they decided to complete the bill as originally planned, incorporating the several points even Mr. Aldrich had refused to include; several of those being very important.

A German Jew by the name of Paul M. Warburg was a member of the banking firm of Kuehn, Loeb & Co., of New York, a born banker, if such there be, had been trained and educated with true German efficiency in his business.

Soon after associating himself with the American House, he began a study of our American system, and in a series of pamphlets outlined our deficiencies, and advocating the better system, which so attracted the attention of J. P. Morgan and associates that he was induced to become an American citizen, that he might be the better able to assist in making the change.

First in importance, perhaps, is that the Aldrich plan adhered to the use of money, or currency.

The Warburg-Reynolds plan was a complete change from money, or currency, to credit; except, as Mr. Reynolds put it, "what little money might be needed

for counter use." This is permitted under the Federal Reserve law, and in practice the change is being made very rapidly.

There is no limit to the amount of credit the national banks may loan and no gold reserve needed to back it up. But while they loan their credit only, no obligation will be made payable in "gold coin of the present standard, weight and fineness."

The Aldrich plan provided for the gradual retirement of our national bank notes, but offered no special inducement for the retirement of the two per cent bonds with circulation privilege, and provided that "the reserve association must issue its own notes as fast as the outstanding notes secured by such bonds so held shall be presented for redemption." The Federal Reserve law makes no such provision. The issue of Reserve Bank notes is left optional with the banks, and in practice they are not replacing them in full.

And in addition, to hasten retirement and direct contraction of the currency, the Federal Reserve law provides a handsome premium, in the offer to exchange three per cent bonds without the circulation privilege, for the two per cent bonds with the privilege.

The Aldrich plan provided for an annual tax on the reserve association notes of 3 per cent for the first \$100,000,000, 4 per cent for the second, 5 per cent for the next \$300,000,000, and 6 per cent for all over \$500,000,000.

In 1914 we had over \$1,000,000,000, and the annual tax under the Aldrich plan would have been over \$52,000,000.

Under the Federal Reserve law there is neither tax nor interest.

Mr. Reynolds claimed (page 29) that: "There is apparently no reason why such a tax should be imposed at all, as the government is not in need of the income to be derived from the charge."

Every change that was made was in the interest of the "money trust."

On page 16 Mr. Reynolds says:

"And since any tax levied must ultimately be paid by the people, the currency commission of the American Bankers' Association recommended to the National Monetary Commission the right to issue its notes in an amount necessary to take care of the reasonable requirements of business and that said notes be free from taxation."

The foregoing was very cunningly put. The inference intended to be conveyed was that as the people paid the tax, if the notes were issued to the Federal Reserve banks free, it would benefit the people to that extent.

Result: the notes are issued free of tax to the banks, and the people pay the tax just the same.

Just another illustration of a public servant betraying a trust.

Mr. Warburg testified in his examination, before confirmation, that he was the author of the Aldrich bill, and practically so of the Federal Reserve law; that the Federal Reserve Board had authority to make any changes necessary to comply with the Aldrich plan. He did not, however, call attention to the many new advantages secured.

The Aldrich plan was as long a step towards a complete monopoly of our financial system as Senator Aldrich thought could be enacted at that time.

President Wilson was elated over the prospect of being able to assist in the enactment of such a law.

In his address to Congress recommending the bill as an administration measure he said: "The pending currency bill does the farmers a great service. It puts them on an equal footing with other business men and masters of enterprise as it should, and upon its passage they will find themselves quit of many of the difficulties which now hamper them in the field of credit."

In an address before our state Grain Dealers' Association a few days before the passage of the bill, in commenting on it, I said: "This will be most wel-

come news if it proves true, but I have seen nothing in the bill, nor in any of the suggested amendments that would indicate 'equal footing with other business men.' There is one thing absolutely certain: there will be no 'equal footing' for agriculture in any financial system so long as the money, or credit, for our needs must first pass through the channels of our commercial banks, with the privilege to them of collecting as toll 'all the traffic will bear'."

Two years of the administration of the law has demonstrated clearly that I was correct. One of the worst blows ever given to our agricultural interests was inflicted during the autumn of 1915, as I have shown in page 39.

The Federal Reserve law was as complete a surrender to the House of Morgan, or, as President Wilson called it, "the money trust," as Messrs. Warburg and Reynolds could think of.

President Wilson was enthusiastic over the enactment of the law.

Just a few brief extracts from his address on signing the law, for the purpose of pointing a moral:

"Gentlemen, I need not tell you that I feel very deep gratification at being able to sign this bill, and I feel that I ought to express very heartily the admiration I have for the men who have made it possible for me to sign this bill."

Note.—The three men most entitled to the credit for the plan, the drafting of the bill, and its enactment in the order named were Warburg, the plan; Aldrich, for drafting, and Reynolds for the enactment.

"It is a matter of real gratification to me in the case of this bill there should have been so considerable a number of republican votes cast for it."

Note.—The surprise should have been that there were any republican votes cast against it, except real progressives. It was the Aldrich bill renamed and amended in the interest of the "money trust." That is where the Democrats began the practice of appro-

propriating Republican policies. President Taft had campaigned for it two years, and urged it as paramount in his 1911 message to Congress.

"For the bill itself, I feel that we can say that it is the first of a series of constructive measures by which the Democratic party will show that it knows how to serve the country."

Note.—Then Andrew Jackson will have to be dropped as the Patron Saint of the Democratic party.

"Then there came upon the heels of it [the tariff bill] this bill which furnishes the machinery for free and elastic and uncontrolled credits put at the disposal of the merchants and manufacturers of this country for the first time in fifty years."

Note.—Here is where words fail me. "Free credits"? Yes, to the bankers; the whole constitutional powers of the government are delegated absolutely to them, free of interest or tax, to administer for private profit. "Uncontrolled"? That surely was intended as a joke; unless the President meant "uncontrolled" by the government.

"I have been surprised at the sudden acceptance of this measure by public opinion everywhere. I say surprised, because it seems as if it had suddenly become obvious to men who had looked at it with too critical an eye that it really was meant in their interest. They have opened their eyes to see a thing which they had supposed to be hostile to be friendly and serviceable; exactly what we intended it to be and what we shall intend all our legislation to be."

Note.—The foregoing, of course, refers to the national bankers, and indicates that Mr. Reynolds had conducted a very efficient campaign. Of course they promptly, yes, suddenly, accepted what they had so carefully planned for, during three administrations. They were jubilant, because they had secured a far more complete monopoly than they had hoped for, quite so soon. The moral is plain: Politicians in

power become party blind. Representative Henry, of Texas, sums it up neatly thus:

“When framing the Federal Reserve act for the banking and commercial population, you bundled up the credit of the government, neatly tied a blue ribbon around it, and placed it in pawn for the benefit of the bankers and commercialists. You sat them down at a feast of Federal Reserve notes, prepared for them by the government, in return for their assets and commercial paper. You gave them government aid. Let us give the farmer the same aid. He is entitled to the same privilege at the government mint.”

THE HOUSE OF MORGAN SECURES MONOPOLY OF MONEY.

Elated with their successful campaign of 1907, much more successful than they could have anticipated, there was nothing but time in their way, and having consolidated their forces, were prepared to push matters.

But as patriots who had saved the nation financially, there was a lot of financial cripples to be taken care of, not by helping them back to health, but by relieving them of their cares by absorption.

This proceeded rapidly. When the Thomas F. Ryan and Levi P. Morton interests had been gathered in, in one of the financial write-ups of the day, we find the following paragraph headed, "Morgan is Cash King":

"What does it all mean? is the question that is being asked on all sides. The eclipsing of Ryan has come fast on the revelations in connection with the manipulation of the traction companies of New York by Ryan and his associates and Morgan has in nearly every instance taken over the Ryan holdings. The first shares to pass into Morgan's control were the shares controlling the Equitable Life, which E. H. Harriman would have owned had he lived. Other securities passed and finally, by purchasing the Ryan shares in the Morton Trust Co., was able to manipulate the newly announced deal and today can, if he desires, wear the smile of the cat that swallowed the canary."

The article concluded as follows:

"It is known that his recent activity in assuming control of the big banks, trust companies and insurance companies is all part of one general plan that was decided on by Morgan and his associates following the panic of 1907. Closer control of banks and stricter restrictions for their management, were the

suggestions Morgan made when he was asked at that time what remedy there was for the panic, and, judging from recent developments, he has set out to secure the closer control."

Of course the object towards which they have been working ever since the Civil War has been to secure a monopoly of our medium of exchange, and the means of exchange—transportation—but of the latter, some other time.

Just keep in mind all through this discussion the difference between money—that is, lawful money—and currency. Our lawful money consists of coined gold, silver dollars, and greenbacks, with an exception clause.

Our currency consists of anything that will pass current in ordinary business transactions, but is not a legal tender for private debts or any other obligations payable in gold coin or lawful money.

Our currency consists of minor coins, national bank notes, silver certificates, gold certificates, and now Federal Reserve bank notes.

As previously pointed out, the medium of exchange may be contracted by an increased demand, the volume remaining the same. But that process was too slow for them; they must also contract the volume by decreasing the supply, to hasten their control. Then the best means of securing control of both money and currency would be to strike all along the line as opportunity offered—and make the opportunity.

They had been proceeding cautiously, for the people had waked up a little in the nineties, and given them a bad scare.

The success of the 1907 panic encouraged them to believe that they could do anything they wished, but there were some conservatives of the Aldrich school who thought it better to proceed cautiously.

They were all agreed upon one point: that the government should be taken out of the banking business. There was always danger that the people might get control of one Congress and spoil their plans.

They were all in favor of some central power having control, and the House of Morgan was now that power.

Senator Aldrich apparently was not in favor of a direct contraction of currency, or the more radical scheme of changing our whole financial system from public money to private credit.

This will account for some of the apparent confusion in the ranks, and the withdrawal of Senator Aldrich as the leader. Each of the plans was being pushed, and as a result with the passage of the Federal Reserve law, they have secured authority for all of the plans, even for that of the most radical.

Both political parties and Congress seem to have thrown all caution to the winds, in their haste to comply with every wish of money monopoly as guided by the new sovereign, Morgan and associates.

Thus in eight years, we have lived a thousand years, as measured by the evolution from money, a public utility, to credit, a private monopoly. We have overthrown and discarded the traditions, beliefs, and fetishes of thousands of years, or since metal was first used as money.

The things for which men have fought and died; have risked death by exposure, cold, disease, and starvation; committed crimes without number; for which families, bands, states and nations have fought, and are fighting—gold and silver—we, by the wand of Morgan, have discredited, dishonored, spurned and caused a near panic on the part of the sovereign and associates for fear of a flood of gold from Europe.

"Danger of inflation." They had no use for it as money, in excess of what they could hoard in their own vaults. More than that would postpone their grand coup of demanding payment of the obligations of the whole people of the nation in a money out of circulation by hoarding in their own vaults.

I realize fully that this statement will not be believed, by many. It will seem incredible, improbable, impossible, in a country where the people have a

chance to pass upon those questions every two years, and yet it is true. I see it just as plainly as though it was all written out, and to the best of my limited means I have been warning the people for more than a quarter of a century.

How is it possible in a free country, in a republic where the citizens have a vote every two years? Well, it is not only possible, but an actual fact as I will show conclusively, and it has been endorsed by these very same victims every two years, and will be again next November.

What is the answer? Very simple: BLIND IDOL-ATRY OF PARTY. Your ancestors organized a political party for a live issue of their day. They created a machine to manage the campaign. The issue was settled many years ago, but the machine lives on, and demands your support for issues to which you are opposed, and, not being a free citizen, you obey the machine and vote for what you do not want—and get it—and it serves you right.

I will now proceed to trace the conspiracy along each of the lines mentioned, giving you the proof so clearly that I hope you will realize the impending danger, and emancipate yourselves from the slavery of partizanship and graduate into the freedom of voting for principles.

LEGISLATIVE CONTRACTION OF MONEY AND CURRENCY.

The "benevolent patriots" responsible for the "bankers' panic," as usual wanted to shift the responsibility onto someone, or something else, and it is wonderful what a good publicity bureau can do.

You can always count on private monopoly giving a reason, other than the real one, for any legislation they may want. In this case they placed the responsibility on their own best handiwork, the national banking system, which they have acclaimed "the best financial system the world had ever known," and in 1907 it had broken down utterly, in fact, was responsible for the panic. The reason given for the national bank system was "to make a market for government bonds." Always patriotic! The real reason was to secure the use of currency for a tax of one-half of one per cent.

Just why the government had to issue 4 per cent bonds to get money through the medium of a bank, and in turn issuing the money to the bank for one-half of one per cent, is more than I was ever able to figure out. The base of credit for the bonds was the government—a government obligation paying 4 per cent. The bank added nothing to the security. The national bank note was a government obligation, for which the government received a tax of one-half of one per cent.

Now, however, this best ever must be retired from circulation. The national bank notes was the second largest item of currency and had been held in such high esteem by the bankers, it would require some nerve for the bankers themselves to discredit it, so who better for the task than the Standard Oil economist of the Chicago University?

In his book, "Banking Reform," p. 139, he says: "The unsatisfactory character of the national bank

currency has been one of the few things about the system that have been universally recognized and agreed to. There is hardly any support for the present system of issuing the currency. Even those who have looked upon it as having been heretofore a measurably successful experiment in note issue recognize that it is not possible to continue a system which would imply the existence of a national debt."

Section 16 of the Federal Reserve Bank law makes the notes of the Federal Reserve Banks, issued against commercial paper, an obligation of the government "a national debt." How absurd! As usual, the reason given was other than the real one.

The real reason was that the men who control wanted a contraction of the currency as well as of the money.

Under the old law a national bank could be organized anywhere with a capital of \$25,000, and issue currency, by complying with the conditions. There was no limit as to the number of banks and amount of issue, and the bank notes issued was over one-fourth of the total volume of money and currency combined.

This made it very difficult for the House of Morgan to contract and control—the two things they were aiming at. Or, as Mr. Reynolds said: "The issue of credit and credit notes was to be left entirely with the Reserve Association, and to be free of any tax."

The national bankers fell for that. Apparently there was to be a saving of that one-half of one per cent tax. But they will find out in time, if they have not already done so, that their future circulation privilege has been cut off, and if they want currency or credit they will have to go to the Federal Reserve bank for it, and instead of one-half of one per cent tax, they will have to pay just what the Federal Reserve bank thinks they will stand. Of this they may rest assured, that the Federal Reserve banks will discourage the issue of reserve notes, as they are doing theory as explained by Mr. Reynolds, th

not need money for the transaction of our business; just credit and a check book."

I quote further from Mr. Reynolds' Dallas (Tex.) address on this point as follows, to prove the point: "Therefore, our greatest need at this time [1911] is the establishment of some central institution given power under enactment of law to provide the credit necessary to meet the reasonable requirements of business, but which at the same time will be safeguarded so as to confine credit within the bounds of conservative limit."

They have secured just what they wanted in the Federal Reserve law.

They will grant the credit they think necessary, or advisable for their own profit, and keep it within what they deem a conservative limit again for their own purposes. Instead of a tax of one-half of one per cent, they started out with an interest charge of 6 per cent or more.

The interior banks will soon find, if they have not already done so, that they have been badly deceived; that they have lost their independence; that in the near future they will have to deal in credits instead of money and on such terms as the House of Morgan dictates. They have been big toads in the country puddle, but in the Morgan pool they will be mere minnows; just nice fish bait.

The Aldrich Reserve Association plan (Sec. 18) provided against any contraction of currency by the change. They must substitute reserve notes for the national bank notes as fast as retired. The present law makes no such provision.

Messrs. Warburg and Reynolds found the last Congress plastic, and willing to be moulded, and the President more anxious for the title of the bill than the substance, and while the getting was good, they secured all they wanted. If there is anything missing Mr. Warburg testified that the Federal Reserve Board had the power to give it.

Now as to progress being made. When the Federal Reserve law went into effect in November, 1914,

there were national bank notes outstanding to the amount of \$1,121,468,911. December 31st, 1915, there was outstanding only \$713,314,000; a permanent retirement of \$408,154,000 in thirteen months. Federal Reserve notes had been issued to the amount of \$205,732,000, a net contraction of \$204,422,000.

At this writing, the Federal Reserve notes are also being withdrawn from circulation. During the month of February there was retired from circulation \$14,737,165, and \$3,395,755 national bank notes, or a net contraction for the short month of \$18,132,920.

To induce the national bankers to retire their circulation as rapidly as possible section 18 of the Federal Reserve law provides for an exchange of 3 per cent bonds for the 2 per cent with circulation privilege. That increase of one per cent interest was a gift by Congress to the bankers to be paid by taxing the people at large.

Surely that man Warburg has all the financial efficiency of the Jew and the German combined.

SILVER.

The real reasons given for the demonetization of silver, and later against the resumption of free coinage, were just the same as has inspired every one of the other similar moves: First, to contract the volume of money in circulation, to expedite control; and second, to increase the value of debt obligations.

At that time we did not have any currency, except minor coin; it was gold, silver and greenbacks, each circulating at par with the other and performing the same functions. They could not at that time, with any hope of success, make such a complete change as they have now accomplished, even if they had dreamed of such a thing. But they could make a start.

The greenbacks were too popular to attack successfully, so it was a choice between the two metals of gold and silver, and it did not take long for them to decide.

The production of gold had been steadily decreasing for the previous 20 or 25 years, and silver had been rapidly increasing, in fact had trebled. Senator Stewart claimed that more than half of the gold produced was secured from the silver ore. Discourage the production of silver, and the production of gold would still further decline, but silver was our standard and the popular money metal with the people and could not be demonetized in the open; it must be accomplished by stealth in the interests of the creditors and bond-holders, and this was accomplished in part in 1873, unknown even to many members of Congress. We ceased the coinage of the legal tender part: the silver dollar.

When this fact was understood, the agitation for the return to free coinage began again and was pushed with vigor, reaching its climax in 1896. It failed, because the theory was based on the wrong foundation, viz., that money stamped on value was superior to money based on value.

I was one of those Populists who strongly opposed making the free coinage of silver the "paramount issue," because I considered the exclusive use of any one or two products of labor a special privilege, and wholly unscientific for a medium of exchange for all labor and labor products; but I did favor the free coinage of silver to right a great wrong that had been committed.

At a meeting of the National Bi-Metallic League held in Washington, D. C., in 1893, I said in part:

"The question is frequently asked, 'Why should the farmers favor a measure that is in the interest of the silver miners only?' Representing, as I do, the largest organization of farmers that has ever existed, it might be well for me to give a few reasons why we favor the free and unlimited coinage of silver at the legal ratio of 16 to 1.

"First. For the purpose of increasing the volume of money in circulation. * * *

"Second. Because our national bonds and many other obligations are now payable in coin (gold or silver) of the standard weight and fineness, when the bonds were issued. With silver demonetized, of course gold will be the only coin, hence payable in gold coin only. That is the advantage that bond-holders and other large creditors are now working to retain. They can well afford to pay for a good many very ridiculous editorials to befog the public mind to decry silver. It pays them to do it, but how about the victims who will once more find their debts doubled? These bond-holders and creditors would not dare openly to advocate the doubling of the public and private debt, but if silver remains demonetized, that will be the result.

"It is always thus with the money power. They work to increase the VALUE of the debt, or dollar. * * *

"Third. To encourage the development of an American industry. * * *

"Fourth. To right a great wrong. It was taken from them by stealth, without giving them a chance to be heard, and is kept from them unjustly, against the best interests of the masses of the people, and in the interest of one favored class, 'the creditors.' * * *

"If Europe or any nation in Europe wants and must have our gold, we should not by lack of legislation permit their desire and want to interfere with our national prosperity. LET THEM HAVE THE GOLD AND LET US SUPPLY ITS PLACE WITH A MONEY THAT THEY DO NOT WANT; A MONEY THAT WILL REMAIN WITH US WHEN NEEDED."

From the report of the Comptroller of the Currency for 1915 we learn that: The total number of standard silver dollars coined up to June 30th, 1915, was \$570,-272,610.

There was in the United States at that date \$568,-271,655.

And of subsidiary silver coin (currency) \$185,430,-250.

Of the legal tender silver dollars, there was in the treasury, and represented by silver certificates (not a legal tender) \$485,708,663.

Of the balance, the national banks held \$12,427,405.

Private banks, savings banks and individuals \$52,219,751.

It is safe to say that there is less than 25 cents per capita in the hands of the people, including silver hoarded or hidden. Silver dollars are practically out of circulation in the east, and inside of five years will be in the rest of the country.

As an evidence of the wonderful efficiency with which they take advantage for contraction, even in small matters, take that of the mutilated silver dollars. Since 1883, there have been 197,673 silver dollars melted, and recoinced as minor coins, instead of adding the small amount of silver necessary to restore the weight. This is a loss, paid for by the people, of probably 45 cents on every dollar, but a contraction of the currency in the interest of money monopoly.

So long as the rest of the world prefers the use of silver and gold for money, or a money base, I would encourage the free coinage of both for the purpose of encouraging one of our great industries, that of mining. I would also encourage their exportation to the foreign countries still in the dark as to the true functions of money, and the danger of monopoly control of money.

For we are on the eve of a scientific solution of the money problem.

The Greenbacks to Be Retired.

The \$346,683,016 of greenbacks have been a great annoyance to the men who wish to control our medium of exchange for two reasons:

First. That the government could make a non-interest-bearing promise to pay, a medium of exchange, which the people would gladly accept, and passing

from hand to hand, was to them a complete redemption.

The weak points in the greenbacks were, first, that the government promised to redeem in coin—one special product of labor.

Second. The exception clause, “except in payment of duties on imports and interest on the public debt.”

Otherwise it would have been a perfect money.

What annoyed the bankers was that it was an issue by the government of a money that was not paying a tax or tribute to the bankers. If they were to be supreme as was their aim, then the “government must be taken out of the banking business.”

That is, the government must cease to coin money; delegate the sole power to issue money to the bankers, and turn over all moneys received for taxes and dues to the bankers as fiscal agents; all this free and without control of amount to be issued, or rate of interest to be charged, and, as Mr. Reynolds puts it so plainly, “with proper safeguards against over extension of credit, or over expansion in business.”

A Federal Reserve Board, selected by the National Bankers' Association to have charge of this and be the people's guardians! An absurdity; a wild, visionary dream? Oh, no; not at all. Just such legislation has been secured during the past six years, by an overwhelming majority of both dominant political parties.

Now for the proof as to the authors of the propaganda; and I will quote from the address of George M. Reynolds, president of the Continental and Commercial National Bank of Chicago, and vice president of the National Bankers' Association. We may call it official.

His campaign was not made in public, but before the meetings of State Bankers' Associations.

At Dallas, Texas, May 19th, 1911, he said (page 2): “In addition to this we have in circulation \$346,000,000 of what are technically known as United States notes, but which are more generally known to the public as ‘greenbacks.’ These are notes of the government

issued without any security whatever back of them, being purely fiat in their character, and certainly are no more flexible than the other paper circulation.

"The late Mr. Raymond Patterson, who was the Washington correspondent of the 'Chicago Tribune,' during the fall of 1908, published figures showing that if the greenbacks had been funded into 4 per cent bonds by the government in 1879, the total cost to the government, including the principal, would have been \$741,897,000; whereas, he claimed that officials of the treasury department had made computations showing the actual cost to the country of continuing these greenbacks in circulation and maintaining their payment in gold was, on January 1, 1907, \$1,081,881,000 or \$339,984,000, more than would have been the cost had they been cancelled and 4 per cent bonds issued in their stead, a loss to the government of that amount; and since the expenses of government are borne by the taxpayers, this necessarily has fallen upon them.

"To insure its ability to maintain gold payment against these greenbacks, the government has for many years kept stored in its vaults a gold reserve of \$150,000,000. If it were to use this amount toward the retirement of the outstanding greenbacks, it would require only an additional \$200,000,000 to accomplish this, or considerably less than the actual issue of United States bonds under Cleveland's administration, made necessary for maintaining a gold payment against these notes; whereas we still have the original amount in circulation, and they will continue to be an annoyance until some one shall be found who possesses the moral courage to lead a movement in Congress looking to the issuing of government bonds, even though interest bearing, with which to retire them."

"These are notes of the government without any security whatever back of them"! The faith, credit and taxing power of 100,000,000 people, the leading nation in the whole world, that has never yet defaulted in meeting its obligation, and whose credit was

never questioned, except by leading bankers of the country during the Civil War, when they secured the enactment of the exception clause in our government paper currency, for the express purpose of discrediting it, to promote their own private interests!

Here again at this late date, they say officially that the bonds, notes, or other obligations of the United States are no good because they are "without any security back of them."

These same national bankers used to claim that the national bank notes was the best currency in the world, because backed by government bonds, and what are government bonds backed by more than the greenbacks? Nothing; the same old United States!

What did he propose to substitute for this "lawful money," the greenback? A Federal Reserve Association note, not "lawful money," but currency, based on commercial paper backed by a member bank.

The endorsement of a national bank anywhere in the country, the \$25,000 bank, is better security than a promise to pay by the United States government, and this by a vice president of the National Bankers' Association!

Can't believe it? Well, it is in his printed address, mailed to me on my request, page 2.

But strange to say, they insisted that these new well secured Federal Reserve bank notes should also be made "obligations of the government." Senator Owen in introducing the bill in the Senate, gave twelve minor securities, and 13th "that they were the best secured currency in the world because backed by the United States government." Oh, Mr. Reynolds! ! !

When the Allies of Europe began to flood this country with their gold to pay for war munitions, these same men, to prevent the further importation of gold, which was threatening to postpone their plans, loaned them in one lot \$500,000,000 "without any security whatever"; just the unsecured bonds, obligation of the government of Great Britain, or France. This has been largely increased, probably four times

as much now. The same has been true of Russia, and even our Canadian neighbors have secured a good many hundred millions on the like unsecured obligation of their government. How absurd, Mr. Reynolds!

"No more flexible than the other paper circulation." Why?

Because the National Bankers' Association secured a law prohibiting any further issue of greenbacks. How could it be flexible?

As for the expense of the greenbacks, I was really shocked when I heard Mr. Reynolds repeat that statement in his Sioux Falls address. I was not present as a banker, but by the courtesy of a Chicago banker friend. It is not in the nature of a monopolist, nor is it their custom, to discuss any issue on its merits. He did not say that it was the case. As a business man, he knew better, but he wanted to give that impression in a way that every banker present would state it as a fact.

As stated, it was an endorsement by him, a shameful deception on his part, for the specific purpose of having it circulated by the bankers present, to create sentiment for the retirement of the annoying "pest," greenbacks.

There was a fine representation of our leading business men present, for many of our bankers are interested in other lines of business, and are exceptionally good business men, and how must such a statement appear to them, and it is fair to assume that he made the same statement at all his state bankers' meetings: "The loss to the government borne by the taxpayers was up to January 1st, 1907, \$1,081,881,000."

A very large sum. Note how adroitly it was put: "Borne by the taxpayers." That is, that the people had actually paid that enormous sum in taxes. An absolute, gross misstatement, unworthy any man, much less the official representative of the greatest of our public service corporations. It has not cost the government one dollar beyond the clerical help and the expense of renewals and reissue of the spoiled notes.

But how are we to meet these things, given out at those private meetings? It was by the merest accident that I was privileged to be present, and had no means of counteracting it.

The government did not borrow that money. They issued it in payment of legitimate public expenses, just as a merchant might issue a due bill, good for any obligation due to, or for goods sold by, him.

That is all the government should have done, paid out for expenses to be redeemed by acceptance for taxes due to the government. The mistake of making them redeemable in coin instead, was insisted on by the bankers who were then, as ever since, in control of Congress, and had no confidence in the stability or credit of our government.

If they will not trust us, why should we trust them? The greenbacks have kept their place with gold coin ever since, because they have performed the same functions as gold, with the two exceptions insisted upon by the bankers.

Just as well charge up a similar expense for all the gold and silver coined by the government since 1879.

Or for the national bank notes that have been issued or for the new Federal Reserve bank notes that are now being issued, the estimated cost of which was one-tenth of one per cent; not an annual tax, just for the first issue, later issues will be less.

"To insure its ability to maintain gold payment against these greenbacks, the government has for many years kept stored in its vaults a gold reserve of \$150,000,000."

The general public, the loyal men and women who love our country, and have absolute confidence in its future, never made any such demand.

That was a scheme of the bankers to discredit the greenback in the esteem of the public. These patriots (?) and superloyal (?) citizens who are so intensely interested in the preservation of the honor of the republic—betimes—never hesitate to discredit and dishonor it, if thereby they can promote their own selfish interests. This is just another case in point.

The greenbacks were redeemable in COIN (gold or silver coin). The option was with the government. When the bankers made the effort during Cleveland's administration to force the retirement of the "annoying" greenbacks and to repeal the act for the purchase of silver bullion, it was by the usually effective panic method, "want of confidence" in the government's ability to redeem the greenbacks in gold, and the danger of an undue inflation of money, by the coinage of silver.

Why redeem the greenbacks in gold? They were redeemable in coin.

Had Andrew Jackson been president, he would have taken advantage of the option, and tendered the more abundant coin, silver, and that would have snapped "the endless chain" instant. But President Cleveland, being in sympathy with their design, was a willing accomplice, and aided them by the sale of bonds and otherwise until Congress agreed to such legislation as would place the United States on the single gold standard. It was a great gain for the conspirators.

Every move made by them will show the same traits, when analyzed, of misrepresentation of facts, and selfish disloyalty to the government.

Another instance: The House of Morgan, who are willing to trust Great Britain, France, Russia, Canada, or any other foreign nation, dominion, or province, for millions, or billions of obligations payable "in gold coin of the present [American] standard, weight and fineness" away beyond their stores of gold, are unwilling to trust our own "Uncle Sam," for the payment of their share of the greenback holdings in gold unless he keeps in his treasury (out of circulation) almost fifty per cent of the actual gold coin for that specific purpose. Something they do not exact of the most turbulent, discontented, discredited, republics of Central or South America or Asia!

Just a few years ago, we diplomatically forced China to borrow \$50,000,000 from our financiers, just to

place us upon an equal footing with the European nations and Japan who had forced similar favors (?) on China, but they did not insist that China must keep \$20,000,000 in American gold coin "stored in its vaults to insure its ability to pay."

This blessed, prosperous, greatest nation on earth is the only one that these patriots (?) cannot trust, unless we put up 40 per cent gold security back of our bonds.

If that is their real sentiment, then I can understand why the National Bankers' Association want to be appointed our guardians, "that proper safeguards against over-extension of credit, or over-expansion of business should be provided."

In looking over the reports of the reserves held in the national banks December 31st, 1915, I find that they had in their vaults at that time \$118,117,000 of these "purely fiat 'notes' without any security whatever back of them." Now, what do you think of that? Why do they keep these discredited, annoying, unsecured obligations in their vaults, as a part of their sacred cash reserves?

Why not shove them out on the unsophisticated public?

"They will continue to be an annoyance until some one shall be found who possesses the moral courage to lead a movement in Congress looking to the issuing of government bonds, even though interest bearing, with which to retire them."

To whom are those greenbacks an annoyance?

Have you ever been annoyed by having them forced upon you?

Have you ever had a merchant, or creditor, show any annoyance when you have offered them in payment for goods purchased, or an obligation due?

Have you ever had a banker object, or even hesitate, to accept them on deposit?

Then to whom are they an annoyance, and why?

So long as they are in circulation, they are an

object lesson that may prove dangerous to their ultimate plans of complete supremacy.

When the people realize that these "purely fiat notes, without any security whatever back of them"; free of any tribute to, or endorsement by the banker, or anyone else, perform the same functions as the coined gold or silver dollars, and much more complete service than the bank currency, or bank credit, to which the bankers intend to limit us in the future, they will refuse to permit their retirement to please the bankers.

"Moral courage"! They cannot get anyone with courage backed with morals to do that job, but in accord with their plans such a bill will be introduced. The National Bankers' legislative committee have so unanimously decreed. They may never again have so subservient a Congress as the present one, and yet they may postpone action until after the general election, but the fight is on; that is, if there is any fight left in the people.

OUR FOREIGN TRADE.

In our public life, apparently everything is being subordinated to an extension of our foreign trade.

Note the press reports of the many booster meetings to promote foreign commerce; the many editorials in our great dailies, and trade magazines, in which the exploiters are at all times willing, under many guises, to go to any length, even to the extent of embroiling our nation in a foreign war to promote our foreign trade, or protect the investments of American citizens for the development of foreign countries, for their own personal gain.

Now Look Upon the Other Side.

Who is expected to pay the price necessary to secure this expansion of foreign trade and commerce?

That is the important proposition for you to consider.

First. The federal government—the whole people—through our consular service, ship subsidies, subventions, reciprocity agreements, ocean transportation in opening up new routes which must be done at a loss; all to be paid by the public through taxation.

The exploiters do not want to take any chances. If there be a loss at first, which they expect, let the public pay it.

If it proves profitable, they are ready to take advantage of it.

Second. Labor; whether on the farm, or in the shop, must be cut down to the limit of subsistence, to enable the manufacturers to compete with the "pauper labor of foreign countries" with which the American voter has become so familiar.

Third. The American manufacturer must be protected against the competition from the same foreign countries in our own markets, and the American consumer forced to pay private monopoly trust prices, for

our home products, that the manufacturers may be able to sacrifice their goods abroad to secure the foreign trade. Thus far, it is all one-sided.

A Third View—Production.

The three principal factors in production and distribution are labor, money and transportation.

How are these three factors treated by our home and foreign exploiters?

First. They deny to the American laborer a voice in the transaction. It is for them to work, or starve.

They must welcome and pay the propaganda expense of securing this same "pauper labor" to compete with them in the open shop at home.

The farmer must submit to the world's competition; that industrial labor may live cheaper, and thus be able to work cheaper.

Second. Next in importance as a factor in production comes money.

Ordinarily, we think of it only in connection with the interest paid on the capital invested in a particular business.

That is a wholly superficial view, and entirely too narrow.

We will just consider two lines, the base of our chief exports.

(a) Less than one-fourth of our farmers own the farms they work free of debt.

Rent must be reckoned the same as interest.

As shown by the report of the Comptroller of the Currency, the farmers are the special sufferers from usury "and the half hath not yet been told." It is conceded that we pay from two to three times as much for the use of money as do our foreign competitors, and to that extent we are handicapped in competition with them.

Now comes the proud, independent farmer out of debt, who thinks that he is not interested in the interest problem; or maybe he has a little money out at interest, and thus interested on the other side.

As a fact, he pays a great deal of interest just the same as his less fortunate neighbor.

There is the grain buyer and the stock buyer, each representing companies with large capital invested in plants, and working capital to conduct the business. The interest on all the capital invested is charged to over-head expenses, which the farmer has to pay

Next comes the transportation company, paying interest on three or four times the amount of money invested; this also the farmer has to pay.

If you want to follow this to the consumer: there is the interest on the millers' investment; the jobbers; the wholesalers; the retailers; and the bakers, in the case of grain, and the packers, in case of stock.

In the end the consumer pays that interest. He may think that as he is out of debt he is not interested in this interest question, but he is, in a score or more of ways.

We are not yet through with the farmer, and this question of multiple interest. He pays the interest that is paid by the manufacturers, jobbers and handlers of everything he buys to use or consume on the farm in his business of production.

What is true of the farmer is also true of every producer, or manufacturer.

(b) Next we will take steel and steel products.

Mr. Schwab proudly boasts of having converted J. P. Morgan, Sr., to this multiple system of interest and profits.

The elder Morgan's idea was one great corporation to take the ore directly from the mine and follow it step by step until it reached the consumer. At one of their special dinners, Mr. Schwab pointed out the much greater advantage and profit there would be in organizing separate companies for each step taken from the mine to the finished product, and the consumer.

Follow that briefly and consider what it means to and for the men who control the system, and you will

have a much better idea of what multiple interest, and multiple profit, means. No one escapes the toll.

The system, and that means the House of Morgan, invests in the mine; they must have interest on the investment, and a profit on the ore.

A corporation is organized to mine the ore, followed by interest and profit. I think that there were twelve separate organizations, not including the several transportation companies which they also controlled.

Third. Transportation. Here again we have a public utility monopolized for private profit, managed on the well-known theory of "taking all the traffic will bear."

With few exceptions, our foreign competitors have publicly owned and operated transportation systems, so managed as to encourage production, by transportation at the minimum of expense.

Money without private profit in interest, and transportation at cost, are the two things most needed to enable our manufacturers to compete for foreign trade, but have you ever heard of them advocating such a reasonable solution for the increase of our foreign trade?

Given as low rates of interest and transportation as other nations have, and with our great natural resources, and our greater ability and genius in the use of horse-power in production, we could, if freed from monopoly control, and without any special favors, or oppression of labor, easily secure the leading position in the world's markets.

The nation that will first recognize the fact that special privilege is all wrong; that justice to labor, the foundation, must be the first consideration; and that the medium of exchange, and the means of transportation, shall be administered without private profit, will become the mistress of the commercial world.

How much longer can we afford to sacrifice our best citizenship, that a few avaricious men may accumulate vast wealth by the development of foreign countries at our expense?

The whole trend of our national thought today would seem to be world development, world expansion and world power to such an extent as to blind us to the development necessities of our own state and nation.

A few years ago we diplomatically forced China to borrow \$50,000,000 from our financiers, just to place us upon an equal footing with the European nations who had forced similar favors (?) upon China.

The rate of interest was a minor consideration; other nations had secured valuable concessions, and as a growing world power we must assert our right to a share of this foreign exploitation.

We, the people? No; we, the exploiters.

Blinded by Aspirations.

During the past year our wings have fully developed, and we must now become THE WORLD POWER. How proud we are when we read in the press that J. P. Morgan, or some other representative financier, has returned from Europe having arranged for a loan of hundreds of millions to the Allies. Rate of interest? Oh! that is secondary; the main object is the profit that the financiers will make as manufacturers of war munitions, and the still greater profits on the so-called war stocks. As an illustration, take the Bethlehem Steel Co., which had never paid a dividend, and whose stock on July 30th, 1914, was quoted at 32 and on August 5th, 1915, was quoted at 301.

Given a monopoly of money or credit, the beneficiaries have their great profits in peace as well as war.

Developing Canada.

One of our greatest competitors in farm products is our good Canadian neighbors to the north. We note by press reports that we have recently loaned them \$100,000,000 at around 4 per cent interest.

James A. Farrell, president of the U. S. Steel corporation, and chairman of the National Foreign Trade Council, at New Orleans, January 27th, 1916, said:

"The advantage of foreign investment of United States capital was evident in American trade predominance in Canada, where about \$700,000,000 of American capital has been invested, in branches of American factories, mining, timber, and agricultural enterprises, all tending to develop Canadian resources and expanding Canadian demand for American products."

If we can loan our money or credit at 4 per cent for the development of Canada, why not to our own states bordering on Canada where we have as yet barely scratched the surface?

The European financiers are temporarily shut out of Central and South America by home needs, and there looms up a world to conquer, more surely by exploitation than by war.

Wall Street Astonished.

At a noted financial dinner at Washington, D. C., a short time ago, to show our sympathy and consideration for our neighbors to the south, whose national bonds have been difficult to negotiate at 8 and 10 per cent and upwards, our then Secretary of State suggested and recommended that we loan our national credit to them for their development, free of interest and at our expense, by guaranteeing their bonds, so that they might be sold on our markets for 3 per cent, they to pay 4 per cent, the 1 per cent to be applied on the principal until paid.

The proposition electrified his auditors and gave hope to Central and South America as nothing else could have done, and astonished Wall Street to such an extent that they forgot his past "vagaries." The National City Bank pronounced it "not only a daring but a really brilliant conception" and that "it is quite possible that it represents the most astute and enlightened statesmanship."

Who Would Profit Most?

Who would profit most by the transaction? The financiers who negotiated the loans.

Who would suffer most? Our farmers, who, unprotected, are forced to compete with their farmers in our own as well as in the world's markets.

Compare that with my plan of loaning our own federal credit, for development purposes, to our own solvent states whose bonds are considered gilt edged, we paying all of the expense and a small annual interest. But it does not appeal to or electrify our financiers who prefer the profits of exploitation to that of home development.

What do you think? How does it appeal to you?

A Great Problem.

The rapidly increasing exodus from the farm to the city should warn the laboring men that they are doubly interested. The flow should be the other way, and would be if agriculture were placed upon an equal footing with commerce and industry in our own country, and we gave as much consideration to our own needs as we are giving to the needs of foreign countries.

Our small business men, and our professional men, should realize that they, too, should be very much interested.

Our "natural pilots" as Myron Herrick calls them, in their haste to accumulate vast wealth have failed to see the rocks just ahead.

If it were your private business, what would you do?

IT IS YOUR PRIVATE BUSINESS.

ORIGIN AND OBJECT OF RURAL CREDIT MOVEMENT.

It will be interesting to study the object and trace the history of the late Rural Credit campaign which seemed to spring up spontaneously, and to have struck a strangely new chord of non-partisan harmony.

A great issue in the interest of agriculture alone. In fact a special privilege that was to be forced upon an unwilling class if necessary. It was so unusual that a student of the several farmers' movements of the past, especially those with a knowledge of the strong opposition every effort for agricultural betterment made by the organized farmers themselves had been met with, might well have hesitated to enthuse over it.

For one, the writer was suspicious from the start, and pursued a "policy of watchful waiting." He remembered the old advice to "beware of Greeks bearing gifts." It was a well played part in the great conspiracy to change our financial system from money to credit, by the enactment of the Federal Reserve law; in effect delegating a vital public, or government, function for private exploitation.

This fake Rural Credit movement was not inaugurated by any farmers' organization, and must not be connected in any way with the old Farmers' Alliance movement in favor of the government loaning money on land security and on the non-perishable products of labor, stored in government warehouses. That was a safe, sane and sound proposition, backed by the twenty-one farm and labor organization of that time. It was not limited to farmers, but for manufacturers of staple products and the owners of land, to encourage development and home building in the town and city as well as in the country.

It was neither special privilege nor class legislation.

To Aid President Taft and the Republican Party.

The origin of the Rural Credit campaign, then, was not with the farmers, or in the interest of the farmers. It was in fact a "bunco game," conceived by the practical politicians, for the double purpose of tiding over a political emergency of the Republican party; and covering up a change of plan for the enactment of the Aldrich central bank.

Overconfident, because of the easy victory in 1907, they had openly advocated the Aldrich plan, and it was exposed to such an extent as to insure its defeat. President Taft had been outspoken in its favor, and it was hurting the prospects of his re-election. Senator Aldrich, instead of touring the West, abandoned the tour with one meeting in Chicago.

The open advocacy of the Aldrich bill suddenly ceased, and they proceeded to do, under cover, what they could not accomplish in the open.

President Taft was their first choice for President. The first part of his term had been unfortunate in many respects.

The revision of the tariff had been a disappointment. It had not reduced the cost of living as had been promised. The advocacy of the Aldrich currency bill had proven unpopular. The progressive element in the party was gaining rapidly in strength. So far as the farmers were concerned, the climax came with the adoption of the reciprocity agreement with Canada, the openly avowed purpose of which was to reduce the cost of living by admitting farm products free of duty. The farmers of the North and West had always been the strong arm of the Republican party. They were in an insurgent frame of mind, angry over their betrayal and sacrifice and defeat loomed big. The political managers of the party were in real distress. What could they do to cause the farmers to forget, and win them back into the fold? The National Bankers' Association was not exactly in distress, although anyone hearing Mr. Reynolds talking to a meeting of bankers would have cause to think

that they were in almost immediate danger at any time; but they were annoyed at the delay in maturing their plans. How could they best help their tried and true friends, the Republican party? Re-elect their champion, President Taft, and a Republican Congress.

Up to that time there had not been a whisper about Rural Credits as developed in Europe. The Monetary Commission had reported, and if they heard of "Rural Credits" while in Europe, they failed to mention it in their report. How could they have made "an exhaustive study of the banking question," and missed the biggest financial thing in Europe?

The one thing above all others, which, by placing agriculture at the front, where of right it belongs, had made for European prosperity for "the whole citizenship" and prevented panics.

Here then was an ideal situation for co-operation. The National Bankers' Association needed help and so did the Republican party.

The American farmers were paying two, three, or four times as much interest for the use of money, or credit, as was commerce and industry.

The farm owners were fast losing their homes by foreclosure of mortgages. In Europe the reverse was true. Why not come out as the champion of the farmers' cause, and duplicate the European Rural Credit system for the American farmer, or pretend to. Have President Taft take the initiative. But the Democrats must also be considered, and cared for. The campaign must be conducted as a non-partisan matter.

Keep the Farmers' Eyes on Europe.

Keep the farmers' eyes on Europe, and we will take care of Congress, was their ideal situation. And it worked like a charm. I think George M. Reynolds was the genius who outlined the plan. He was the first one I heard of urging the bankers, and instructing them how to educate the farmers. He claimed that it was the opposition of the farmers that prevented the enactment of the Aldrich plan, and urged every banker present to each do his part in convincing their

farmer customers that they did not need money for the transaction of business; just credit and a check-book. His illustration of how to do it was quite convincing and instructive. (See page 64.) For some reason that part was omitted from the printed address. Perhaps it was thought best that it should not get to the public press. Now for the campaign.

At their annual meeting in November, 1911, "the National Bankers' Association created a committee on agricultural and financial development and education, and began a study of land and agricultural credit at home and abroad." Why this new departure? They were and are absolutely opposed to any investment system in connection with the commercial banking system.

"Banking Reform," the official organ of the National Citizens' League, organized for the purpose of promoting the Aldrich bill, of date July 1st, 1913, said: "There may be need for certain reforms in our investment banking machinery. That question is not now before us. Nothing but disaster can result from the confusing of commercial with investment banking problems." The reason for the National Bankers' committee was plain. It was to get the farmers, not the bankers, interested in "land and agricultural credits at home and abroad"; more especially abroad, for the campaign year of 1912, and they succeeded to a wonderful extent.

There was a real political and bankers' emergency, such as has rarely if ever occurred in the United States of America. There was no time to be lost. The American farmer had for far too long been neglected by the politicians. The National Bankers' Association would now see that, like his cousin in Europe, he was placed at the head of the procession where he of right belonged. This committee meant business.

On the Republican side President Taft opened the campaign March 18th by directing the Department of State, through its diplomatic and consular officers in Europe, to investigate and report promptly on "the Rural Credit systems of Europe."

On the Democratic side, this was followed up in April by the Southern Commercial Congress adopting a plan for investigation, and sending a commission to Europe also. The national and state treasuries were to be drawn on freely to defray the expenses, and any man who objected was branded as an enemy of agriculture. For once the dear neglected farmer was having his inning. It was great. Such publicity, such attention, such advertising.

The commissioners were feted in Europe, and conducted to the foot of the rainbow, where they found the proverbial pot of gold.

What State Aid in Europe Has Done for Agriculture.

What has this state-aided Rural Credit system done for the farmers of Europe, where it has been in force for many years, in Germany for 130, and in France nearly as long?

We cannot do better than quote first from the official report of Mr. Herrick, endorsed by President Taft, and published at public expense, for general distribution during the campaign of 1912 when both political parties vied with each other in bidding for the farmer's vote with this tempting Rural Credit bait. What it had done for the farmers of Europe, and what it might do for the farmers of America if either the Republican or Democratic, or even the Progressive party were given the mandate.

"The government initiative, taken by the Department of State under instructions issued by my direction to the diplomatic officers in Europe on March 18th last, have been effectively supplemented by the American Bankers' Association, the Southern Commercial Congress, and many other bodies by whom this question has been agitated, and valuable work has been done, in studying and disseminating knowledge of those great instrumentalities which have been created in foreign lands to extend to their agriculturists credit facilities equal in benefits to those enjoyed by their industrial and commercial organizations. The handicap placed upon the American farmer through

the lack of such a system and the loss sustained by the whole citizenship of the nation because of this failure to assist the farmers to the utmost development of our agricultural resources is readily apparent. * * *

"The interest rate paid by the American farmer is considerably higher than that paid by our industrial corporations, yet I think that the security offered by the farmer in his farm lands is quite as sound as that offered by industrial corporations.

"More specifically this advantage may be seen in the fact that through this machinery the German farmer has received money, at times, at rates lower than those current in commercial loans."

"The most noticeable fact revealed by the investigation of the European land credit institution is the all-pervading presence of the state in every nation."

Page 12: "A very general practice is the distribution of subsidies through state-endowed central banks at rates that allow the peasants to obtain money below the ordinary market figures."

President Taft, p. 5: "What this plan offers is a means to secure to this country greater productivity, at less cost, from the farms that are now under cultivation, and above all, to give us more farms and more farmers. It will make it profitable for the farmer to return to the cultivation of the abandoned farms of the East and to open up the vast areas of untilled lands in the west."

Official report, p. 36: "The cause of the trouble is the lack of capital, and the remedy lies in financing the farmer and landowner. This is the indisputable conclusion logically reached from examination into the actual conditions and from comparisons furnished by recent European history."

Page 4 (Taft): "Counting commissions and renewal charges, the interest rate paid by the farmers of this country is averaged at $8\frac{1}{2}$ per cent as compared to a rate of $3\frac{1}{2}$ to $4\frac{1}{2}$ per cent paid by the farmer, for instance, of France or Germany."

Official report, p. 9: "The rate of interest at which they are able to obtain and lend money falls even below the European commercial rate and is about one-third to one-half less than what prevails in the United States." Note.—In view of the late report of the Comptroller of the Currency the estimate of the rate paid by the American farmer is away too low.

Page 14: "In Austria, Germany, Finland, Ireland, France, Russia, the Balkan States, and practically everywhere, the state has in some way or other given aid to these banks."

Page 10: "The co-operative credit associations have been of incalculable value to agricultural Europe. There is no question on this point and the investigation so far conducted shows quite as conclusively that such societies could be of great benefit to farmers in many parts of the United States."

Page 20: "They are in fact government institutions, clothed with summary executive and judiciary powers over property, and to some extent, over the actions of their associate members."

Page 36: "The Landschaften and other mortgage institutions have evolved the true theories of the mortgage loan, never tried in America and have made real estate securities so safe, convertible, and cosmopolitan that in Europe they sell as readily as government bonds."

Page 23: "The most noticeable fact revealed by the investigation of the European land credit institution is the all-pervading presence of the state in every nation. * * * Subsidised in some way or other and granted special privileges. * * * There can be no doubt that the working principles of the European land-mortgage banks are the best ever devised, and that they will have to be introduced into the United States if it be hoped to make the farm mortgages a fluid and popular form of investment, and direct a flow of capital in sufficient volume to agriculture to

enable it to keep pace with the progress of the nation."

Page 10: "With their aid poverty and usury have been banished, sterile fields have been made fertile, production has been increased, and agriculture and agricultural science raised to the highest point.

"Their educational influence is no less marked. They have taught the farmers the uses of credit as well as of cash, given them a commercial instinct and business knowledge, and stimulated them to associated action. They have encouraged thrift and saving, created a feeling of independence and self reliance, and even elevated their moral tone.

"Failures have rarely occurred. In France and other countries they hold a record of having never lost a cent."

The report of Mr. Herrick was an inspiration and a hope to a host of debt-burdened American farmers. It was corroborated by the report of the large and representative non-partisan committee that visited Europe for the special purpose of investigating at first hand their Rural Credit systems. This was further confirmed by the splendid work of David Lubin, our representative at the International Institute of Agriculture, at Rome, Italy, who has given many years to study of all phases of agricultural co-operative efforts, of which Rural Credits was the most prominent feature. His work was careful, non-partisan and invaluable. The American farmers owe Mr. Lubin a greater debt than they recognize. There should be no question then of accepting in good faith the reports of the great success of state-aid in Europe for agricultural investments and development.

Is it any wonder that the American farmer was intensely interested, and had a right to hope and expect similar conditions for America?

Could any intelligent citizen read the foregoing and form any other conclusion than that it was a clean cut promise by President Taft for the Republican party, and backed by the organizations men-

tioned, and in convention by both Republican and Democratic parties?

Clearly the intention was to convey that impression; and it did, not only with the farmers, but with the business and professional men, in fact "the whole citizenship."

Still, I had grave doubts as to the sincerity of the movement. Was it possible that the House of Morgan, and its many political and industrial arms, had been really and truly converted to the good, sound, democratic principle, that agriculture should at last be placed without an effort or struggle on our part "upon an equal footing with other business men and masters of enterprise" in America? I remembered the old query, "Can the leopard change his spots, or the Ethiopian change his skin?"

I knew that it was wholly contrary to the policy and plans of the National Bankers' Association, and its political arms, the twin parties.

I knew that they favored the Aldrich plan, and that they were opposed to any investment attachment, or any other feature that would jeopardize their complete monopoly, so was not deceived in the least.

But the promises were there, and the political parties should be held responsible for their fulfillment, or punished for their failure.

President Taft was defeated; but as with the changes of rulers in Europe, so it was here. "The king is dead; long live the king."

The new President was just as safe as the old. The House of Morgan won.

So much for the Republican twin, now for the Democratic.

President Wilson, after election, in Federal Reserve bank law message said: "I present to you, in addition, the urgent necessity that special provision be made also for facilitating the credits needed by the farmers of the country. The pending currency bill does the farmers a great service. It puts them upon an equal footing with other business men and masters of industry,

as it should; and upon its passage they will find themselves quit of many of the difficulties which now hamper them in the field of credit."

President Wilson in a message to Congress places the farmer on the highest pinnacle: "Without these every street would be silent, every office deserted, every factory fallen into disrepair. * * * We must add the means by which the farmer may make his credit constantly and easily available and command when he will the capital by which to support and expand his business."

The foregoing would indicate that the President was not familiar with the contents of the bill, or of what it was intended to do, as there was nothing but misery in it for the farmer, as the result of the marketing of the 1915 crop demonstrated beyond any theory or guess. (See page 39.)

WHY THE SUDDEN CHANGE ON RURAL CREDITS.

There is no parallel in the history of the United States for such a sudden and complete change on a great national issue as occurred in connection with that of Rural Credits immediately after the close of the 1912 campaign.

It had been promoted from an unexpected source and conducted in the most vigorous manner for the two years preceding, each political party vying with the others in support and promises.

Europe was scoured for favorable campaign material by diplomatic and consular officials, individuals and commissions, all returning with the one story, that "there was millions in it," not only for the farmers, but "the whole citizenship" of the United States.

The sleeping giant was aroused, and really thought there was something in it for the farmer. It was strongly backed by the House of Morgan, and its three most important arms, the National Bankers' Association, the Republican party and the Democratic party; and encouraged by every trust and special privileged business in the nation. The farmer smiled. For once he was IT. It made no difference which party won; he won.

Immediately after election there was a complete somersault, and active opposition to any legislation, looking towards state aid of any kind developed.

What caused the change? What new light had been seen?

Had the farmers' organization protested against the duplicating of the European idea, that agriculture, being first in importance, should be made first in opportunity for development and production.

Who was alarmed? The business men were satisfied, and the farmers enthusiastic. The official representatives of the men who control were all sure that

the "sturdy, self-reliant, independent American farmer" for whom they had apparently been working, would spurn and reject any attempt to place him 'upon an equal footing with other business men and masters of enterprise,' such as our kinsmen and competitors in Europe had secured for themselves.

The non-partisan quartet sang the same song in perfect harmony, after election, and this was the burden of the song:

President Taft: "We have come to look upon the American farmer of today as one of our most prosperous citizens.

"The proposal which I make is not to subsidize the American farmer. Fortunately for this country, he does not need it, nor would he accept it."

Ambassador Herrick: "It is not conceivable that American farmers would accept such assistance from the government and thus become a privileged class supported in part by the rest of the people. And to add to this wrong the new and more dangerous injustice of setting apart a class of people by itself to be pampered and spoon-fed with special privilege at public expense."

President Wilson: "The farmers, of course, ask, and should be given, no special privilege, such as extending to them the credit of the government itself.

"What they need and should obtain is legislation which will make their own abundant and substantial credit resources available as a foundation for joint, concerted, local action in their own behalf in getting the capital they must use. It is to this we should now address ourselves.

* * * "The farmers, of course, ask, and should be given, no special privilege, such as extending to them the credit of the government itself."

Secretary of Agriculture Houston, 1914 Year Book, p. 35, says:

"There seems to be no emergency which requires or justifies government assistance to the farmers di-

rectly through the use of the government's cash, or the government's credit.

'The American farmer is sturdy, independent, and self-reliant.'

Note.—That is a significant official declaration of the representative of agriculture in the cabinet. Just think of such a man being chosen over such men as Charles Barrett of Georgia, or Obadiah Gardner of Maine.

With all due deference to the distinguished quartet of official statesmen, and appreciating the exalted opinion they have expressed of the farmers as a class, the only one that prospers without state aid or protection. The only one that would spurn the same aid and privileges as are enjoyed by other classes in our own country, and our competitors in foreign countries.

Placing the most charitable construction possible on their incomprehensible reasoning and policy, I must say that the gentlemen are mistaken. They are not acquainted with the American farmer in need of a loan, or looking for a bargain. Thousands of them are stockholders in national banks, now members of the Federal Reserve Association, and not one of them has spurned the special privilege of the use of the government's cash and credit free. We are mostly immigrants from, or descendants of immigrants from some European country. The only difference is that poverty compelled the European farmer to wake up and shake off his partisan shackles, and become an active factor in legislation to secure equal treatment by his own government.

First. In America, our farmers are as yet too prosperous—or think they are.

Second. Industrious, sturdy and self-reliant they are, but they are not independent. They are slaves of their political party organizations. The average farmer prefers the taffy and fulsome compliments of the smooth tongued politician of his own party, to actual service of one who will not play the game of the machine at the sacrifice of principles.

The pledges have been made by all political parties having representatives in Congress, and by the President to "place the farmers upon an equal footing with other business men and masters of enterprise."

Fail to do this and it is your fault. Do it and if the American farmer spurns the opportunity, it will be his fault. But what's the use?

The Rural Credit campaign had served its purpose. The object of its promoters was to interest the farmers on a side issue; to keep his eyes glued on Europe, while they attended to the election of a President and a Congress that would enact the Federal Reserve law. This accomplished they had no further use for Rural Credits, and the farmer.

In the foregoing quotations, I have condensed in as brief a space as possible, what I shall assume to be the present program, and future policy of the men who seek the control of all commerce and industry in the United States, through special privilege and class legislation.

This great triune is now, and has been, in control of federal legislation for the past fifty years, and is making rapid progress in developing the greatest conspiracy ever conceived by the brain of man.

It is composed of the autocratic House of Morgan, the legislative arms being the Democratic party and the Republican party, with the Progressive party thrown in as a decoy, so long as it is financed by Geo. W. Perkins of the House of Morgan and led by Theodore Roosevelt.

The twin political parties, or even the triplets, differing only on personalities, minor issues or non-essentials to distract attention from the main issue, but always uniting at the signal of the Sovereign.

If the National Bankers' Association, and the Republican party believed the foregoing to be true, why did they make the campaign for Rural Credits for the benefit of the American farmer?

What a pity that our national bankers, railroad companies, manufacturers and the many beneficiaries

of special privileges who swarm over Washington, D. C. during each session of Congress, lobbying for more and more of the stuff that so sadly saps the independent manhood of the average American citizen.

The high-minded, independent, prosperous American farmer owes it to our country, and to his less fortunate, unfortunate fellow citizens, that the baneful, demoralizing influences of special privileges be repealed at the earliest opportunity, that they too may in time ascend the pedestal now occupied by the American farmer alone.

But Mr. Herrick's interest in the protection of the American farmer from the baneful influences of special privilege in the way of state aid grows in intensity as his campaign advances. At Kansas City, Mo., in addressing the State Bankers' Association on May 25, 1915, he said: "The movement (Rural Credits) bereft of guidance by its natural pilots (the American Bankers' Association) and impelled too rapidly by over-hasty enthusiasts, deviated from its true course of private enterprise and mutual self-help, and slanted off towards state aid and paternalism."

Note.—Our "unnatural pilots" deserted the ship.

"The issue has been squarely drawn as to whether the cash and credit of the government shall be used in behalf of individuals in farm-mortgaging. Its purpose is to manufacture fictive values, and to add to this wrong the new and more dangerous injustice of setting apart a class of people by itself to be pampered and spoon-fed with special privilege at public expense."

Strange that in his long and successful public career, he never remonstrated against the danger of his friends, the manufacturers, suffering from spoon-feeding, but insisted on increasing the size of the spoon to that of a shovel. Thoughtless statesman!

Nor of the "dangerous injustice" to the friends of his own class, the national bankers, in increasing the size of the vessel from a shovel to a scoop. Unkind friend!

Once more the twins were as "two minds with but one single thought, two hearts that beat as one" or something to that effect, when the farmers' interests were to be neglected, or sacrificed.

Page 20: "A development resting on state aid or charity could not permanently endure. Such artificial stimulation violates fundamental principles, and should not be considered a moment for Americans, no matter how much it is resorted to in Europe."

Oh, Myron! Myron! Such apostacy from Republican principles; and you from Ohio, and a candidate for President! How could you?

But the American Manufacturers' Association do not seem to take your prophesy seriously. Your "infant industries," hoary with age, are organizing to secure more of the poison with which you have been feeding them so generously in the past, and your banker friends, who thought they had secured all they could use from the last Congress, are again asking for more charity and special favors.

In discussing the several propositions I shall assume, as I think the facts justify, that each proposition is approved by all three members of the triune. But first please go back and read once more, substituting the national bankers for the farmers, and the business of banking for the business of agriculture. Taffy and all, even if it strains a point. Keep in mind President Wilson's favorite maxim that "the farmer should be placed upon an equal footing with other business men and masters of enterprise as he should be." Also keep in mind that the chief business of Congress for many years has been the granting of special favors, privileges, public lands, cash taxed from the people, and as in the Federal Reserve bank law, the unlimited credit of the government, and several hundreds of millions of cash taxed from the people, in each and every case to some class, business or industry, organized for private profit, at public expense, and also protected from foreign competition.

The wrong, danger, and injustice of the system never dawned upon the distinguished quartet of official leaders, until a few non-official (politically) representatives of agriculture began to ask that agriculture be recognized both as a business and an industry, and placed upon a real "equal footing" with any other business or industry.

A number of propositions raised will be more fully discussed elsewhere, but I think it well to touch on a few at this point very briefly.

"The issue has been squarely raised as to whether the cash and credit of the government shall be used on behalf of individuals."

I shall add to the above, "or combination of individuals."

The Federal Reserve Bank law should be sufficient to illustrate the objection raised. All of its capital to begin with was loaned by the federal government; they call it a deposit, with money, real money, coined gold, taxed from the people, and loaned without interest, to one business, organized for private profit, and profit only.

Is banking a business? Certainly. Are the bankers a class? Certainly. Are they organized for private profit? No question about that. Are they "individuals"? Yes, a combination of individuals.

Have they received any cash from the government to be used in their behalf? Yes, over \$200,000,000 in gold, free of interest to start with, and as much more profits.

as they may need, or think they need, on same terms.

Any other special favor on that line? Yes; the government has delegated to them its constitutional power to issue money, and in practice all the new currency of the future will be issued by them.

Any other privilege or power? A very important one, the power to fix the rate of interest that may be charged for the use of money.

But, how about the credit of the government? All currency issued by the Federal Reserve banks becomes

obligations of the government, without interest. The whole credit of the government is given to them freely, unlimited and uncontrolled. Spoon-fed? No, scoop-fed.

Anything further? Yes; Federal Reserve banks, including the capital stock and surplus therein, and the income derived therefrom, shall be exempt from federal, state, and local taxation, except taxes upon real estate. See Section Federal Reserve Act. Page 13, May, 1915, bulletin.

"A development resting on state aid or charity could not permanently endure."

I think that is true, Mr. Herrick, of the kind of "state aid or charity" that we have been indulging in so freely in the past in aiding to build up private monopolies at public expense. It has proven very profitable to the beneficiaries, financially, but utterly demoralizing as to moral character, and good citizenship. They are never satisfied.

The infant industries, under protection, never grow up so that they can stand alone.

They always fight against any reduction, insisting that they could not continue their business without the state aid of protection.

Our public highways, privately owned and operated, even though they received state aid in cash bonuses, or public lands, or both, to several times the legitimate cost of building and equipping the road, are always begging for more power of taxation, to the extent of "all the traffic will bear." The national bankers, the largest beneficiaries, larger than all others combined, are never satisfied. Every session of Congress finds new demands made upon them for more aid, and their demands are enforced, if necessary, by the club of threatened panic.

The greater the state aid, charity or subsidy, given to aid a private monopoly, the more insistent they are for more. It becomes a mania with them, and the corruption of our political units, and gross violation of our laws follow. No; that kind of state aid or char-

ity, or subsidy, cannot permanently endure, and the revolt is now on against it.

State aid; that is, the use of the community credit to develop and operate public utilities, by the public, for the public benefit, without private profit, is the solid rock upon which to build to endure.

The same is true for the use of state credit for legitimate industrial development, where proper security is offered, and the borrowers pay for all of the expense of administration. This is especially true of agriculture, which all agree offers the "best security in the world—productive land," wheat, corn and cotton.

WHAT WAS PROMISED FOR RURAL CREDITS.

President Taft, as chief executive, and recognized head of the Republican party, in his enthusiastic campaign for Rural Credits in 1912 stated emphatically: "That the American farmer was seriously handicapped by having to pay more than twice as much interest for the use of money as the European farmer, and that this discrimination was a serious loss to our whole citizenship. That the American farmer paid much higher rates of interest than our industrial corporations, although the security offered was quite as sound."

President Wilson is on record since his election as stating that the American farmer should be placed "upon an equal footing with other business men and masters of enterprise" in financial legislation.

He said in an authorized interview for the metropolitan press, August 18, 1913, which was prior to the presentation of the Federal Reserve bill: "Special machinery and a **DISTINCT SYSTEM OF BANKING** must be provided for, if Rural Credits are to be successfully and adequately supplied. Our farmers must have similar means afforded them of handling their financial needs easily and inexpensively. They shall be furnished these facilities before their enterprises languish, and not afterward. **AND THEY WILL BE.** This is our next great task and duty."

Both the Republican and Democratic parties recognized this gross discrimination against agriculture during the 1912 campaign, and in their platforms promised prompt relief if given the mandate. In fact they apparently made it their paramount issue.

President Taft and President Wilson each earnestly urged non-partisan consideration of this vital, urgent legislation.

But for some reason for which no satisfactory explanation has as yet been given, unless you consider

Mr. Herrick's such. It was sidetracked during the first Congress, and a joint non-partisan committee on Rural Credits appointed to prepare and present a bill at the opening of the first session of the present Congress.

Early in January they presented a unanimous report, and a bill.

They state several very important facts in the report; briefly stated, they are, p. 5: "The American farmer has the best security in the world—productive land."

"In many parts of the country the farmer is charged extortionate and inexcusable rates of interest regardless of usury laws and a decent regard for human necessities."

On page 6 we find what may be termed the object or text of the bill:

"He [the American farmer] desires the government to authorize a system of land banks which shall duplicate for him the facilities now commanded by men engaged in manufacturing, in transportation, and in commerce."

Note.—A correct interpretation of the farmers' rights.

"But your sub-committee is convinced that loans must be made available to farmers on long term mortgage security through some medium other than the commercial bank."

From the foregoing we summarize a few facts that should be conceded without question:

First. The American farmer is grossly discriminated against, both at home, and in competition with foreign farmers, in the rates of interest charged for the use of money or credit.

Second. That the corporation, or corporations, to whom has been delegated, as public servants, the administration of this public utility, money, are "in many parts of the country charging the farmers extortionate and inexcusable rates of interest, in violation of usury laws and a decent regard for human necessities."

Note.—By a strange oversight, the committee omitted to make any recommendation for the punishment of these criminals, compensation to the victims, or forfeiture of their charters so as to prevent further “extortion by these lawless, inhuman oppressors of the farmers in many parts of the country.” These are not my charges, but the official report of the joint committee, corroborated by the Comptroller of the Currency and the sworn statements of the officers of the national banks guilty of the offenses. What they have done “in many parts of the country” they have the power to do in all parts. They are no respecter of classes or individuals. What they are doing to the farmers, they may and will also do to every other class or profession in the nation.

Third. Because of this lawless extortion, there is an urgent, immediate demand for such legislation as will not only “place the farmer upon an equal footing with other business men and masters of enterprise,” but that will also forever stop this unjust system of taxation upon the exchange of the products of labor of all classes and industries in the nation.

Fourth. That a “distinct system of banking must be provided for” and “similar means afforded,” “which shall duplicate for him [the farmer] the facilities commanded by men engaged in manufacturing, in transportation, and in commerce.”

Fifth. This cannot be done under the Federal Reserve law as controlled at present, nor under any system, dependent in any degree on the men who now control our financial system.

It is fair to assume that the impression made, and intended to be made, upon the public mind by the use of the terms: “A distinct system of banking,” “other than the commercial bank,” similar means afforded,” and “duplicate for him,” was that Rural Credits, as promised, was an investment system that would do for agriculture just what the commercial system was doing for other lines of business, and that to do so it

must be separate and distinct from, and independent of, the commercial system.

It cannot possibly serve that purpose and be dependent on, and pay tribute to, a commercial system wholly administered for private profit; and more especially when that commercial system says emphatically that "nothing but disaster could result from a confusion of an investment system with the commercial."

In addition, all the foreign Rural Credit systems, so widely advertised, have been built up as separate and distinct systems. They have grown up side by side with the commercial banks to the mutual benefit of both, and, with the postal savings banks, have been the real reasons why the European countries have been so free from panics, something our monetary commissions omitted to report.

A Complete Change of System.

The great difficulty with the true friends of Rural Credits, or an investment system, is, that they do not understand, or realize, that we have, by legislation, during the past eight years, laid the foundation for a complete change in our whole financial system, in accord with the plan of the House of Morgan, and that the change is rapidly developing.

The change is from money to credit, as I have clearly shown.

At present the system is that of lawful money, currency and credit.

The lawful money is being rapidly destroyed, or stored in the vaults of the men who control. The currency is being rapidly contracted, and permanently withdrawn from circulation. Then all that will be left is the credit of the national banks, and a limited amount of Federal Reserve bank notes for counter use.

All Rural Credit bills depending upon the sale of bonds for lawful money will prove an absolute waste of time and money; and just how they can hope to handle the credit of the national banking system in

competition with, or in opposition to, the system is beyond my comprehension. No effort is being made to amend the Federal Reserve law to meet our needs, and none will be allowed by the men who now control both the Democratic and Republican parties.

The bill presented by the joint committee does not comply with the promises made by the dominant parties in any particular, nor was it intended to.

It does not comply with the report itself in any respect, but the very reverse in every essential, and in addition it sets the most dangerous of traps for the unsuspecting farmer to walk into. It is a sham, a fraud, a trap.

Senator Hollis has announced it as the Administration bill, and as it had the approval of the republican members of the committee (I will deal with it more in detail elsewhere), it represented the official views of both political parties. I think that they assume that the average farmer is more stupid than he really is.

WILL THE FEDERAL RESERVE LAW SOLVE THE AGRICULTURAL INVESTMENT PROBLEM?

In urging the Federal Reserve Bill in his message to Congress, President Wilson said: "The pending currency bill does the farmers a great service. It puts them on an equal footing with other business men and masters of enterprise, as it should, and upon its passage they will find themselves quit of many of the difficulties which now hamper them in the field of credit."

That is one of the clearest statements President Wilson has yet made officially.

Was he deceived as to the contents of the bill, or did he deliberately try to deceive the farmers of the nation?

I am loth to believe the latter. I would prefer to believe the former. I will state the facts, and let the reader decide for himself.

In this connection what should be the meaning of "equal footing"?

The answer of the layman must be: equal opportunity; equal service; equal facilities for credit; equal rates of interest, and terms to suit his special business.

What are we to understand by the term "other business men and masters of enterprise"?

I understand it to mean that agriculture is a business, and that the farmer should be the master of his own enterprise; that is, just as free to manage it in accord with his own ideas and plans as did the masters of any other business, or enterprise.

"They will find themselves quit of many of the difficulties which now hamper them in the field of credit."

Nothing of that kind is as yet apparent.

I had heard Mr. Reynolds discuss and advocate the Aldrich plan before a state meeting of bankers. There was not one sentence in his address that would indi-

cate that any investment system was being considered in connection therewith.

I read his address before another state bankers meeting, printed and distributed by himself, or the National Bankers' Association.

I read "The Aldrich Plan Interpreted" by Mr. Reynolds, and distributed "with the compliments of The Continental and Commercial National Bank of Chicago."

I read the bill as prepared by the committee and introduced in Congress, and Senator Owen's speech in introducing it. It was a masterful and complete address.

In none of these did I see any foundation whatever for the President's statement as quoted.

The President and his advisers had access to all this information, and it is very unfortunate, at least, that his cabinet officials should have permitted him to make such wholly unwarranted statements, with the apparent intent of deceiving our greatest industrial and business unit. Indeed, Senator Owen made it very clear as to what the Federal Reserve law was to be in the following words:

"All of these considerations urge that the Federal Reserve banks should be banks for banks, bankers' banks; and not a public bank competing with the banks for business."

In fact, they were intended to be a perfect monopoly of the business of the nation, for the private profit of one business.

What the Farmer Needs.

It is admitted by every intelligent student of agriculture that what the farmer needs is an investment system, for long time loans for development and production, with small annual payments of principal, and at a rate of interest the industry can afford to pay.

No business can be successfully operated where they have to pay more interest for the use of money than the profits of the business warrant.

Agriculture does not pay more than two per cent on investment and labor, if figured as it should be, on the same basis as is other business.

In this, increase in land value should not be included, as profit on production, for it is not; that is a value created by the community apart from production; and allowance should also be made for loss of fertility.

If more than two per cent interest is charged, farm tenantry will continue to increase. I know of what I write.

The national bankers are on record, times without number, against an investment system being forced on the commercial banking system.

When an effort was made to incorporate such an amendment in the Federal Reserve act, "Monetary Reform" protested vigorously, and declared emphatically that no such amendment would be permitted, saying that, "Nothing but disaster can result from the confusion of commercial with investment problems."

They have the commercial banking system now, just about as planned by Mr. Warburg, and advocated by Mr. Reynolds.

Mr. Warburg so testified before the investigating committee, adding that whatever was lacking in the law could be provided by the Federal Reserve Board, which means that it will be just as the bankers wish.

The amendments the Board have suggested are in line with the policy outlined, and without any hint of provision for investments, such as was promised, and as is needed.

Speaking in a broad sense and from experience, and official data of 1913, 1914 and 1915, which I will later give you, I am thoroughly convinced of the following facts:

For investments we must have a system wholly free in every respect from the men who now control our financial system.

No matter what they may claim, the Federal Reserve law never was intended by its original promoters

to serve the public. It was intended to do just what it is accomplishing,—giving complete control to a few grasping extortioners, whose only aim is private profit.

That they cannot be compelled to serve the public under the present system.

That they will not permit the amendment of the law except as sanctioned by the National Bankers' Association.

Report of Joint Committee on Rural Credits.

(The appended criticism of the joint committee bill as reported to Congress was published in a newspaper under date of February 3, 1916.)

The object of the bill is stated on page 5: "Modern farming requires capital in large amounts. The American farmer has the best security in the world—productive land. This bill enables the farmer to obtain capital for productive purposes, at low rates and for long terms, on the security of his farm."

What might be termed the text of the bill we find on page 6: "He [the farmer] desires the government to authorize a system of land banks which shall duplicate for him the facilities commanded by men engaged in manufacturing, in transportation, and in commerce."

The committee knew what was wanted and laid a splendid foundation.

In recommending the Federal Reserve law to Congress, President Wilson said: "The pending currency bill does the farmers a great service. It puts them on an equal footing with other business men and masters of enterprise as it should."

But there was a superior power, sovereign in legislation which said not so; "Nothing but disaster can result from the confusion of commercial with investment banking problems." And before the bill was enacted into law, everything of that kind was eliminated. President Wilson then promised that this would be taken up in a separate measure, and I as-

sume that the proposed bill is the administration measure providing for that "equal footing," etc.

Does the bill, in whole or in part, redeem the platform promises of the dominant parties, in favor of rural credits, the implied pledge of President Taft, and the direct pledge of President Wilson?

The American farmer for whom this bill was intended has the capital.

What he wants is a partial representative of that capital on "the best security in the world—productive land," for the purposes of development and production; a duplicate of the system by which commerce and other industries can now borrow money on commercial paper.

There is an important fact that should have been considered, viz.: An investment system can be administered for a mere fraction of the expense and risk of the commercial system; hence the report might well have said, instead of the very indefinite "low rate," a lower rate of interest than for any other business or industry. The saving in expense of administration should inure to the benefit of the patrons.

Is It a Duplicate?

How far and in what does the proposed law duplicate the Federal Reserve law? First. For the Federal Reserve Board they duplicate with a Federal Farm Loan Board. A good start. But that is the only duplicate I can find in the whole bill.

Second. The capital to start with. For the Federal Reserve bank as stated by Senator Owen in introducing the bill, Congressional Record, p. 6763: "We are proposing to put approximately \$200,000,000 of government funds in the Federal Reserve banks." That was gold coin. The banks were to subscribe six per cent of their capital, one-half to be paid in six months, which would amount to \$53,000,000. The government contributed four-fifths of the capital as a deposit, or loan, free of interest. How is this duplicated for the Federal Land Loan Board? Section 6 provides that they may become depositaries of public

money, etc., and the Secretary of the Treasury "shall require satisfactory security, by the deposit of United States bonds and otherwise."

No security was required for the deposit of the \$200,000,000 of gold with the federal reserve banks. Not much of a duplicate.

Third. No government funds deposited under the provisions of this section shall be invested in mortgage loans. The security was to guarantee "the safe keeping and prompt payment of the public money deposited with them." What benefit would the deposit be unless they could use it? Now compare that with the use the Federal Reserve banks could make of the \$200,000,000 loan or deposit. They could issue and loan two and a half times the amount in Federal Reserve bank notes, or \$500,000,000. No sign of a duplicate there.

Fourth. The government has delegated its sovereign power to coin (issue) money to the Federal Reserve banks without limit; but the Federal Farm Loan banks will have to depend on voluntary deposits, for which they will have to pay four per cent (later this feature was promptly eliminated after presentation), or on the sale of bonds bearing a rate of 5 per cent to secure "current funds" that have been issued out, loaned out, by the Federal Reserve system at an interest rate of 8 per cent to 10 per cent. Instead of being a "duplicate" or "equal footing" it is gross discrimination against agriculture.

It is not at all in accord with the desire expressed by the committee as quoted. To duplicate would be for the government to delegate exactly the same power and authority through the medium best suited to each system, and no true friend of agriculture can afford to accept of any less.

On page 6 the committee concedes that we must have "some medium other than the commercial banks." It should be wholly independent of them as well.

Indeed, as agriculture is our basic industry, it should have prior consideration. We must first pro-

duce something before there is a necessity for a medium of exchange.

Our farmers are compelled to compete in the world's markets, where the price is fixed by the uncontrolled law of supply and demand; with our competitors having cheaper land, the use of money or credit for less than half the rate of interest, and public transportation untaxed for private profit.

Unprotected from foreign competition in our own markets, discriminated against by legislation at every turn, and the prey of every protected and special privileged industrial and commercial trust, agriculture cannot pay more than two per cent for the use of money or credit, and stay the present rapid descent from farm ownership to tenantry, and the increased exodus from the farm to the city.

"A Low Rate of Interest."

I do not see how money could be loaned for less than six or seven per cent under the proposed law. Of course that is a low rate as compared with current rates as reported by the Comptroller of the currency.

But why pay any tribute to the commercial system? Why pay 6 per cent for the use of this public utility, when it can be provided for 2 per cent by an independent system. The committee accepts of the principle of private monopoly by a special privileged class called bankers, and build their structure upon it by providing an entirely new and very expensive system of administration, with a vast army of unnecessary new officials.

It looks very much like a \$100,000 campaign contribution to the Democratic party.

By adopting the system I have suggested of using our present political units, we reduce the expense to the minimum, and increase the security to the maximum. For the Federal Reserve Board, duplicate, say, an Assistant Secretary of the Treasury, Interior and Agriculture, as an Investment Bank Board. Duplicate the state unit for the Federal Reserve Bank, and the county unit for the member bank, and duplicate the power to issue Federal Reserve bank notes on the security of commercial paper by the power to issue

Federal Investment bank notes on "the best security in the world—productive land." That is what I would call "duplicating."

Federal Reserve bank notes are now obligations of the government for which the government receives no compensation.

The Federal Investment bank notes will be guaranteed by the several government units, for which they will be amply paid by the borrower.

So far as the state units are concerned, we have the system in successful operation in a number of states, in the loaning of our school funds. Why duplicate these? The only additional help needed would be clerical. Not much.

If Congress cannot do better than 6 or 7 per cent it is a waste of time to bother with it. We can do better by state legislation, as South Dakota is now doing, thanks to the foresight of the good old Farmers' Alliance.

We have now over \$5,000,000 loaned on farm mortgages at 5 per cent, and over \$6,000,000 on deferred payments at 6 per cent. As fast as that is paid in it is reinvested at 5 per cent. This has had a very important bearing on interest rates for all farm loan investments, as evidenced by the fact that we now have \$27,000,000 of life insurance funds loaned at 5½ per cent. We could do better, but unfortunately the United States constitution provides that no state shall make anything but gold and silver coin a legal tender for the payment of debt.

A serious defect in the bill is that the committee assumes that there is now and will be in the future an abundant supply of money for investment in farm mortgages. They overlook the fact that we are rapidly developing a complete change in our whole financial system as advocated by the National Bankers' Association, and provided for in the Federal Reserve law and other laws during the past five or six years. The change is based on the theory that we do not need money for the transaction of business; just credit

and a checkbook. We have already had a decided contraction of money both by increased demand and decreased supply, by retirement and decoinage. This process will continue until the few men now in control will have completed their monopoly. The lawful money remaining will be hoarded in their vaults, until drawn out by a premium.

They want to loan their credit instead of money. "The school teacher, clerk, minister, and wage earner," etc., will not be paid in money, but by a check against a credit.

A Dangerous Trap.

Section 12 provides that: "Funds transmitted to farm loan associations by Federal Land banks to be loaned to its members, shall be in current funds, or farm loan bonds."

Section 26 provides: "Whenever any farm loan bonds, or coupons, or interest payments of such bonds, are due under their terms, they shall be payable at the land bank by which they were issued, in gold or lawful money."

Under our present laws "current funds" of the future will be Federal Reserve bank notes. They are not "lawful money." At present and until retirement is complete, national bank notes are the same, as are also coin certificates. Gold coin has practically disappeared from circulation the world over; but in no other nation are they decoining it as we are. Why provide that the loan "shall be in current funds" which may or may not be "lawful money" and payment shall be made in "gold or lawful money."

There is going to be a great shortage of legal tender money in circulation very soon. Most of our farm mortgages are now payable "in gold coin of the present standard of weight and fineness." The same is true of the greater part of present obligations, estimated at all the way from \$100,000,000,000 up. Suppose the creditors demand payment as stipulated in the contract, where will they get the gold coin?

It is a dangerous trap to set for the farmer who borrows "current funds" and obligates himself to pay in "gold or lawful money."

Having a monopoly of credit; and lawful money out of circulation, by hoarding and contraction, the problem of the man behind the counter will be not what can we afford to loan our credit for, but what can the prospective victim stand.

As an illustration of what men will do when given the power, take the case of that widow (report of the Comptroller of the Currency, p. 194, 1915). The inhuman, ungodly monster behind the counter, sworn to obey the laws governing the public service corporation he represented, concluded that she could make that family of hers pay 120 per cent. That was in October, 1914. She paid it, and in November was again in need. He tried 195 per cent and she paid it; in December 259 per cent; in March 426 per cent, 720 per cent, 1450 per cent and in April 2,000 per cent. All of which she paid. Can't believe it; it is a sworn statement. Would not believe the perjurer on oath; in this case it is taken from the record of the national bank. What a shame to have it called a national bank. Surely that must have been many years ago. No; during 1914-1915, under what the committee refers to on page 6 as "the Federal Reserve Act, passed by the last Congress, placed the capstone on a superstructure for commercial credit." Has the outlaw been prosecuted? No. Has the charter of the bank been cancelled? No.

Instead the council of the Federal Reserve Board has unanimously recommended that the office of the Comptroller of the Currency be abolished.

We are assured by the expert to the Senate committee on banking and currency. that under the Federal Reserve Board "Thus intelligence and not automatism, will be the directing power."

Intelligence combined with greed and endowed with unlimited power, is not a safe public service for the people. The proposed bill does not remedy this fatal

defect. It confirms the power of issue, contraction and distribution of money and credit in the hands of this one business, organized for profit and profit only.

Class Legislation.

Another section provides: "No such loan shall be made to any person who is not at the time, or shortly to become, engaged in the cultivation of the farm mortgaged."

Limiting the loans to resident operative farmers is a weakness in that it makes it class legislation, and special privilege, and will be used by the opponents of state aid to defeat any measure worth while.

I believe that it was so intended by the practical politicians who started this superficial campaign for Rural Credits some five years ago to tide over an embarrassing political situation. It was a bad case of "attention without intention"; for as soon as the question was taken up seriously after the campaign it was intended to influence was over, these champions, under the leadership of Myron T. Herrick, made that very point the chief objection, against any form of state aid.

While I think it might be justified in the case of agriculture, it puts our friends on the defensive, always a weakness, and it is wholly unnecessary, and fundamentally wrong. Every citizen desiring a home, and having the security to offer, should have exactly the same right to community credit. Equal opportunity for all. That's all.

—H. L. Loucks,
Watertown, S. D.

THE RURAL CREDIT SYSTEM THAT WAS PROMISED.

(Article published in The Farmers' Open Forum, Washington, D. C., of May, 1916.)

In this article I propose to limit myself to facts stated, and promises made by official representatives of the Republican and Democratic parties during the campaign of 1912 and since.

It was claimed and proven that the American farmer paid more than twice as much for the use of money or credit as did his European competitor, because of their state-aided Rural Credit systems; that on an average he paid more than twice as much as did commerce and industry at home; that in many parts of our own country he was charged extortionate and inexcusable rates, regardless of human needs and usury laws; that he had the best security in the world—productive land; that there was urgent and immediate need that these wrongs should be righted and the farmer placed upon an equal footing with any other business, or industry in the nation, in the interest of the whole people; that it must be separate and distinct from the commercial system, but a duplicate of it, so that the farmer might “command when he will” the use of money for his needs. This, said President Wilson, “is our next great task and duty.” All of the successful investment systems of the world are wholly independent of their commercial systems, and without exception state aided.

The farmers were interested and delighted with the prospect that they were at last to come into their own without an effort or a struggle on their part.

For one, I propose to hold both political parties to “a strict accountability” for the performance of their duty.

I have seen no attempt in any of the bills introduced to comply with the promises made. In this

article I will discuss only a few fundamental principles that will apply to all Rural Credit bills alike.

It is to be regretted that the authors of the many bills presented do not recognize the vital fact that with the enactment of the Federal Reserve law, we have completely revolutionized our whole financial system, changing from a money system to a credit system. That Congress has delegated its constitutional power to coin (issue) money and regulate the value thereof to one special business, the authors of the great change, to operate for their own private benefit and profit.

Quite naturally in practice they prefer to loan their own credit.

First. I am opposed to any system based on the sale of bonds to secure money for farm mortgages. It is not in any sense a "duplicate" of the Federal Reserve law for commerce. Any system that has to depend upon the commercial system, cannot be independent of it, and the farmer cannot "command when he will." He must pay "all the traffic will stand." The men who control command.

Where can they get the money, or even the currency, in the near future? Our lawful money at present consists of coined silver dollars, and greenbacks, with exceptions, and gold. We have ceased the coinage of silver dollars.

We are rapidly demonetizing gold coin by decoinage, and the balance is being hoarded. Gold is practically out of circulation in the United States, and wholly so in the rest of the world. Our currency is also being rapidly retired. Since December 1st, 1914, our national bank notes have decreased by \$358,472,598.

To still further aid in forcing their credit on the people, they hoard an enormous amount in their vaults in excess of legal reserves. Money so hoarded is not in circulation. December 31st, 1915, the national banks alone held \$2,046,256,000, or \$813,549,000 in excess of legal requirements. To this we must add

\$600,000,000 held in other than national banks, and \$345,260,000 held in the Federal Reserve banks, and \$215,242,005 gold in federal treasury.

Total locked up in reserves, not available for investment in farm mortgage bonds at 4 percent, and the loanable funds in the banks are not available for similar investments, when they can loan for so much better rates. How absurd then to try to build an investment system on such a basis.

A second objection to the Morgan as well as the Hollis-Moss bill is that the obligation is made payable in 'gold or lawful money,' something the borrower will not receive. He will borrow credit or currency.

Then why obligate him to pay in something for which he is very liable to have to pay a premium? It is a dangerous trap for the farmer.

But this is far too important a topic for the limited space of our medium, and yet so far reaching, that discussion must be forced in the open. For this purpose I am preparing the manuscript, dealing with this vital question; for Rural Credits by itself, is as a drop in the bucket as compared with the whole problem of which it is a minor part.

I am just looking for a publisher who is not "afraid of the cars" and expect to have it out in time that there will be several copies in every congressional district before the November elections.

Second. They all provide for an expensive army of new officials, wholly unnecessary, as we have in our several political units, as I have suggested, the machinery ready to hand, that can perform the service more efficiently for one-tenth of the proposed expense. They all seem to place a limit for expense of administration of one per cent, but a mere glance over the machinery is sufficient to refute that.

Third. Our need is as specifically promised, a separate, distinct, independent system with a delegated power to issue real money, a full legal tender for all debts, public and private, so that the borrower can pay his obligation in the same kind of money that he

borrows, and of which there can be no private monopoly, either of issue, or by hoarding or otherwise.

Issued on the best security in the world—productive land—and in such amount as may be needed, in the judgment of the user, for development and production.

That is the real issue, from which I will not be sidetracked, and upon which I am prepared to meet all comers.

Any bill lacking any one, or all, of these features will not redeem the promises made, or fulfill the hopes and expectations raised.

No representative of agriculture can afford to compromise on anything short of equal opportunity for all.

A PRACTICAL, INDEPENDENT INVESTMENT SYSTEM.

This chapter is intended to deal with that one phase only of the money problem called "Rural Credits," as raised by practical politicians in distress, to tide over a presidential political emergency.

Any plan submitted, to comply with the promises made, must embrace the following points:

It must "duplicate" the commercial banking system, with an investment system.

It must "place agriculture upon an equal footing with any other business or industry in the nation."

"If Rural Credits are to be successful, they must be adequately supplied, easily and inexpensively, before their enterprises languish."

The "men in control must comply with the needs, and obey the laws."

"Special machinery and a distinct system of banking must be provided for" wholly separated from, and independent of, our commercial system.

We cannot hope for, or expect, to amend the Federal Reserve bank law to meet these requirements for reasons already given; and even if we could, it would not be desirable, because an investment system providing for long time loans can be administered for a mere fraction of the commercial system. Then why try to unite our inexpensive system with the more expensive one?

So far as I have been able to learn, every one of the successful foreign systems has been separate from, and independent of, their commercial banks.

The Rural Credit propaganda thus far has been conducted by the practical politicians on a wrong principle. To cater to the farmer vote, it asks for a special privilege and class legislation; and even though it might, and I believe could be justified in the case of agriculture, it is wholly unnecessary, injudicious, and

a weakness, because a source of antagonism, and should be avoided.

I am neither a professional agriculturist nor a theorist. My knowledge was gained by practical experience as an operative farmer and a student of farm economics, as the chosen representative of organized farmers. After many years of patient investigation and study, with an open mind, and forming no conclusions until I had secured official reports from every available source, I have formulated a plan embracing the best of each as adapted to our own conditions. I have submitted no new or revolutionary principle; just assembled together parts of systems now in successful operation in our own states and nation. It is an American system, and America should now take the lead in the world's financial affairs and methods.

It is strictly in line with the needs outlined, the principles enunciated, and the promises made by President Taft, President Wilson, the Republican and Democratic parties, and I think also of the Prohibition and Socialist parties, and the preamble of the unanimous report of the joint committee on Rural Credits submitted to Congress January 4th, 1916. All of which would indicate that it must be a very conservative plan. Now, mind you, I do not say in line with the wishes and practices of the aforementioned; just promises and reports. It is so much easier to blend the promises of practical politicians to the farmer, rather than their performances, that I prefer to use the former as the basis for my claim.

For "the special machinery and distinct system of banking needed" I propose as a "duplicate" for the Federal Reserve Board, a Federal Investment Board. I use the term investment in place of Rural Credits, because the loans, being based on land, every citizen having the security to offer should have the same opportunity to borrow for development and production as the farmer. Money should be issued by the federal unit to every business or industry without private profit.

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For simplicity, efficiency, security and that it may be administered at the minimum of expense, I propose to utilize our present political units and do away with the necessity of any expensive commissions and a wholly unnecessary army of new officeholders. That is, I propose to "duplicate" the Federal Reserve Board with a Federal Investment Board, the Federal Reserve bank with a state unit, and the member bank with a county unit.

As the Federal Investment Board would at most have only 48 to 50 correspondents—state units—and would not need to pass on the individual securities, as these would have passed the scrutiny of the county, and state, just the securities offered by the state, the clerical duties would be comparatively small; I had thought it might be administered by a branch of the Treasury Department.

Or, perhaps it might be more satisfactory to have a board composed of three members, say an Assistant Secretary of the departments each of the Treasury, Interior and Agriculture, and a general superintendent selected by those three, with such clerical help as might be needed.

There would be no need of an army of registrars, examiners, appraisers, attorneys, special appraisers, experts, etc., as provided for by the joint committee. All that will have been taken care of by the county unit in an efficient manner and at the minimum of expense. I have made no provision anywhere for a single "lame duck," or disappointed candidate.

Federal Investment Board.

That the Federal Investment Board might be able to "afford similar means" and "facilities for agricultural development and production" as the Federal Reserve Board does for "manufacturing, industry and commerce," Congress should delegate to the Federal Investment Board the same power to issue money as it does to the Federal Reserve Board, or banks; provided, of course, that the security is as good.

We have the right to demand the same terms for development, production and distribution for agriculture as we concede to "manufacturing, transporta-

tion and commerce." Production comes first and causes the need for a medium of exchange and the means of transportation; then commerce to aid in the exchange. If we are to have free money for any business, we should have free money for production. That should be the KEYNOTE of this campaign.

The details of administration need not be many, as the board would be dealing with sovereign states, holding the securities, and guaranteeing the payment. The state being responsible to the Federal Investment Board, should have the full supervision of the details in the respective states.

For reasons already given, the money issued should be lawful money; a full legal tender for all debts, public and private.

Instead of free money and currency, as is provided for the Federal Reserve banks, I propose that the Federal Investment Board should receive an annual tax, or interest, of one per cent per annum for all money issued. This on the theory that those who use any public utility should pay all the expenses of administration, just as is the case with our postal system. The expense of administration should not be more than one-eighth of one per cent. All in excess of the expense should be placed in a reserve fund for insurance, or protection, against any possible loss, by any defaulting state, to allay the fears of those who have no faith in the future of our country. But under the plan proposed any loss is very improbable, as all the borrowers in the whole United States are piling up a reserve, or insurance fund for protection.

This reserve fund would not be private profit. It would belong to the public, and after a safe reserve had been accumulated, the balance might be applied to provide for real public transportation on land and water, soon solving that problem, and saving millions and billions of dollars in cost of transportation, which would benefit both producers and consumers alike.

There could be no reasonable objection to the federal unit charging one per cent per annum, if charged

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for all money issued, which, of course, would include the Federal Reserve bank currency as well. It would prove to be a very equitable, efficient and economical system of taxation.

What I have proposed would not by any means be a full "duplicate" of what has been done for commerce through the Federal Reserve banks.

There has been entirely too much done for them—far more than should be done for any business, industry or class.

I do not ask that the federal government shall give to the Federal Investment Board a monopoly of the issue of money and currency as well as of bank credit. Nor do I propose that the federal government shall loan one dollar of money collected from the people, by taxes or otherwise, nor does it propose that the government shall deposit with the board or states \$200,000,000 of gold or any other sum, or to issue or purchase bonds, or make them fiscal agents, or confer any other favor, or special privilege.

All we ask is the means of co-operatively helping ourselves exchange the products of our labor at the minimum of expense, we paying all the expense connected therewith.

Nor do we ask for a division of that precious "money of the world," GOLD, with them. We do not need a gold base with such security as we offer, and conceded to be "the best security in the world—productive land." As it is one of the functions of the commercial system to provide for foreign trade facilities, for which they claim they must have gold, we are willing that they shall have all of it so far as we are concerned.

The system we are advocating is for home development, home production, home use. "SEE AMERICA FIRST." **Be for America first.**

Rates of Interest Compared.

The other outstanding fact is as to the rate of interest charged for the use of money for development and exchange.

The comparison of rates of interest as between Europe and America is an interesting and valuable one; it comes under a different head, viz.: that of competition in trade, which belongs to a different phase of the problem. For the present it is as to the rate between agriculture and other European industries and commerce, in their respective countries. Floating in the open markets the bonds based on farm mortgages sold at as low a rate of interest as did government bonds, and at a lower rate of interest than commercial paper. In times of national trouble bonds fell, and investors hastened to invest in farm land mortgage bonds in preference, demonstrating very clearly that in Europe productive land was the very best security.

A third feature is that the farmers organized politically as a class. In Germany where the movement originated they continue their political party, the Agrarian, and hold the balance of power, and thus secure that equal opportunity. It may not be as sweet as our American political taffy, but it is much more nourishing.

In all the reports there is much made of their co-operation, but strangely this very important feature of co-operating at the ballot box is not mentioned. Without that they would be just as helpless in Europe as they are in America.

Suggestions for State Administration.

For the several states I would recommend as a basis the system in successful operation in South Dakota since statehood for the investment of our school land funds. A somewhat similar system is in force in Indiana, Iowa, Idaho, Minnesota, North Dakota, Oregon, Oklahoma, Texas and Utah. Each state should be the best judge of the system best adapted for itself. Mr. Thompson, a government official, testified that in all those states it had proven satisfactory. I know that it has been eminently successful in South Dakota, where we now have over \$11,000,000 invested. Mr. Thompson reported that the losses had been insigni-

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nificant, and that they could all increase their loans very materially if they had the funds. It has been a pronounced success.

Applicant and Security.

First. The individual. As the county would be responsible for the loan the applicant would have to satisfy the county board as to his personal character and the value of the property offered as security. The person and the property would usually be known to some member of the board; if not, the cost of investigation would be nominal.

The County Unit.

Second. The county board. The clerical work for long time investments being very small, it could be done by one of the county officials in the court house.

Applications for loans should be submitted to the board at a regular meeting, and notice of same published in the official proceedings and investigation ordered, to be reported on at the next regular meeting. All applications approved by the board to be forwarded to the state investment bank, or department, once each month, accompanied by a county bond for the amount applied for, the county retaining the mortgage security. This would be a voluntary co-operation by the whole county and duplicate the Landschaft system, without any special organization.

The county will be protected against any probable loss by the charge of one-half of one per cent per annum annual interest; all in excess of the cost of administration to be placed in a reserve fund for that purpose. This would in effect be an insurance policy paid for by all of the borrowers in the county.

I do not see how it is possible to improve on this plan of practical co-operation, and I have given many years of thought to the problem. It is superior to the Landschaft in that co-operation is secured without coercion, and superior to any other plan offered, in simplicity, security, efficiency and economy.

Third. The state investment department. In South Dakota it would be the Commissioner of School and Public Lands that would pass upon the application, and if approved pass on to the state. For this they would receive one-half of one per cent annual interest; all in excess of expense to go into a reserve fund to protect the department against any probable loss from any county in the state; all of the counties participating (for that should be left optional) and all of the borrowers in the state uniting—co-operating—to insure the payment of any loss by any individual in any county in the state.

The State.

Fourth. Once each month the state would send to the Federal Investment Board its bond, with application for a loan for the full amount of applications, and, if approved, the loans would be completed.

This reserve feature is borrowed from New Zealand and Australia, where in each of the political units it has been entirely successful for many years; each unit accumulating a large reserve fund. This would make the total rate of interest two per cent.

Based on the experience of Europe and Australasia the total expense would be less than one per cent. And there, they had to organize specially for the purpose. Here we have the units already organized.

As with the federal unit, the surplus, or reserve fund, would not be private profit; it would belong to the public—the state and county.

Nothing New—Not Experimental.

There is nothing new or experimental in the plan, except the coupling up. The system, except the delegated power to issue money, first adopted in our Federal Reserve law, has been in successful operation in some form in nearly all of the civilized countries of the world.

Apparently this will be a case where "the first shall be last."

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For the Federal Reserve Board I substitute a Federal Investment Board; for the Federal Reserve bank, a state unit; for the member bank, a county unit. Could anything be more simple, or practical?

In the ordinary sense and use of the term, this is neither using government credit, cash nor state aid. It is practical self-help by co-operation.

When we pay full value for a service, we do not feel under any obligation to the servant. In this case we start with the borrower; it is his credit we use; not the government's. He furnishes what is conceded to be "the best security in the world—productive land." He says to the county, of which he is a resident: if you will endorse this obligation, I will pay you one-half of one per cent per annum, and you hold the security. He is under no obligation, as he is paying amply for the service. The county repeats this with the state, the borrower paying for the service, and this is again repeated with the Federal Investment Board. It is not borrowing money from the government, taxed from the people; it is a new issue of money, real full legal tender money, based on actual wealth, and much better secured than are the new Federal Reserve bank notes now being issued by the Federal Reserve banks to commerce.

As this is intended for all who wish to become homeowners and have the security to offer, regardless of occupation, or calling, it is not a special privilege, or class legislation.

Comparison of Security.

Under the present commercial bank law, Federal Reserve bank notes, which is not money, just currency, will be issued to the full par value of commercial paper when endorsed by a member bank.

The Federal Investment Board notes will be secured, first by the borrower's paper, secured by a mortgage on property worth twice the loan, backed by the total wealth and taxing power of a county, and reinforced by the wealth and taxing power of a state.

Surely, infinitely better secured than are the Federal Reserve bank notes.

When guaranteed by the faith, credit and taxing power of the United States, and made a full legal tender for all debts, public and private, it will be the very best money ever issued by any nation.

In addition, each political unit will be deriving a revenue from the issue and use of these Federal Investment notes so long as they are in circulation, as compared with not one cent from the Federal Reserve bank notes.

I affirm that agriculture, unprotected and discriminated against as it is, and the prey of every favored special privileged and protected business or industry, cannot afford to pay more than two per cent per annum for the use of money or credit.

There should be no limit to the volume loaned, so long as the security was ample. Demand for use is the true standard, and the man who has the security, and is willing to pay the rate of interest, should be the best judge of the need. There is no sane man going to pay 2 per cent for the use of money one day longer than he thinks it profitable. The longer he keeps it out the more revenue for the state and nation, and the less taxes for the people to pay.

Federal Investment notes do not need a gold base, and should be free from that flimsy fiction. This would leave all the gold for our commercial bankers to aid them in their foreign trade, etc.

It would prove a very good test of merit in use, and of course it should be optional with the citizen whether he would prefer to use the Federal Reserve bank notes with the fictive or imaginary gold base at an interest rate of from 8, 10, 20, 100, 500 to 2,400 per cent per annum, rates actually charged during the year 1915, or the Federal Investment notes at an interest rate of from two to four per cent.

Those using the investment notes would be relieved of all fear of being called on to pay "in gold coin of the present standard, weight and fineness" with the

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gold coin locked up in the vaults of the creditors. It should prove a most happy solution of our great financial problem. Those who believe that our monetary system should be administered by a favored monopoly for private profit, would patronize the present system, and those who believe that our medium of exchange should be a public utility and be administered without private profit, would patronize the new investment system.

I do not claim that my plan will solve our greatest problem, an adequate medium of exchange. All I claim is that it would be an entering wedge, based on sound economic principles that will stand the test of criticism and demonstration, and open the way for an American system of finance that will free labor from the power of "money to oppress."

It will enable us to use our own credit for development, improvement and production, as we may deem best, the only way to attain the best results. No man can do his best unless he is free. It is an old, old truism that "the borrower is servant to the lender."

The security is the best in the world, and administration the least expensive, the American farmer will have the full advantage of our own great national resources, and will need no outside assistance, or paternalistic care.

It will give us the use of a medium of exchange at a less rate of interest or tax than that of any of our world-wide competitors, because our money will be free from any tax or tribute to private monopoly.

It will provide a medium of exchange, the best in the world, with the maximum of security, and at the minimum of expense.

It would be the capturing of the first trench of money monopoly, which, once gained, would never again be surrendered.

It is the only plan by which agriculture can be placed upon an equal footing with any other business or industry.

If we are to have free money for commerce, we must have free money for agriculture.

Let each system provide its own method of administration.

The true friends of agriculture cannot afford to compromise on that fundamental proposition.

All the American farmer needs is freedom in production and exchange.

Equal opportunity for all. That's all.

THE FARMERS' RURAL CREDIT BETRAYAL

The presidential campaign for 1916 is rapidly approaching, and as usual an attempt is being made to fool the farmer. Well meaning representatives of agriculture, more loyal to their party than to their class, are at work preparing resolutions, and planks for insertion in the Republican and Democratic national platforms at the coming national conventions. I have been requested to aid in such work, and have refused, for the very good reason that we had more than satisfactory pledges in both platforms in 1912; Rural Credits, in fact, having been made apparently the paramount issue by both parties.

It was one of the greatest legislative campaigns ever inaugurated, and unique in that everybody was for "Rural Credits"—before election.

We had what was much stronger than a platform promise, we had the active support of President Taft and his whole official staff for more than a year before election. It was "a ground hog case." The Republicans had got in bad with the farmers in their attempt to reduce the "high cost of living" by the reciprocity agreement with Canada, to sacrifice agriculture by admitting farm products free of duty. They were in distress, and had to get busy to again hypnotize the rousing giant of agriculture. The Department of State, under the able supervision of Ambassador Herrick, made a special effort to gather data from all sections of Europe, and glowing accounts were published by the government of what "Rural Credits" had done for the European farmers, as I have previously shown, and the same was published and scattered broadcast over the nation. All this and more, President Taft and the Republican party would do for the farmer, if only given the chance. There never can again be a stronger and more effective bid and promise made to place agriculture upon an equal

footing with other business industries, than was made by the Republican party preceding the 1912 election.

The Democratic party had caught on, and no doubt encouraged by the National Bankers' Association, had promptly said "me too." I think that was when President Wilson formed the habit of "cribbing" Republican issues, when they looked good. The Democrats if possible, became more enthusiastic than the Republicans, perhaps because of the fact as reported by the Comptroller of the Currency, that the Southern farmer was more cruelly oppressed by usury.

It is not a new, meaningless promise that we want now. It is the fulfillment of past promises, solemnly made before election. We have a right to hold both the Democratic and Republican parties responsible for promises made, and hopes kindled; and I, for one, refuse to accept any promises for the future, until they make good their past promises.

What is their record?

What has ex-President Taft, Myron T. Herrick and the Republican party done to make good their promises? As a party, they have done absolutely nothing in Congress. Ex-President Taft has been very active making addresses, all over the country, on every conceivable subject, whether posted on them or not, except this one paramount issue so near to his heart (?) in 1912: "Rural Credits for the American farmer."

Myron T. Herrick, because of his great zeal for "Rural Credits" during 1912, had created a real interest amongst the farmers for Rural Credits. In fact, he had exceeded the speed limit. He had done his work so efficiently that the farmers began to think that it really meant something this time. Indeed, we began to talk of Ambassador Herrick as the modern Moses to lead us into the promised land of prosperity; so much so that the bee began buzzing in his bonnet quite actively.

What has he done since the 1912 election for Rural Credits?

Mr. Herrick had a right to suppose that he would be highly rewarded for his splendid efforts trying to save the Republican party; and instead found that the result had been very annoying to the Sovereign House of Morgan, and that he must now reverse himself and take charge of the campaign against any form of Rural Credits, or any state aid whatever, and like the good practical politician that he is, or thought he was, he has done his best. I will not say at the sacrifice of his principles, for I have grown to believe that the practical politician has none such.

So Mr. Herrick was compelled to take the stump to undo the mischief he had done, and has taken advantage of every opportunity since to serve his master, the House of Morgan.

In view of this official record of the Republican party since 1912, what a humiliating farce it would be for any representative of a farmer's organization to ask the Republican party to adopt a Rural Credit plank in their 1916 platform. They have made their record. Will the farmers again forget, next November?

The Democratic Twin Arm of the House of Morgan.

The Democratic party was successful at the polls. How have they redeemed their campaign promises of 1912?

I am willing to concede that President Wilson believed that the Democratic party was solemnly pledged to give the farmers an adequate system of Rural Credits, "that would place the farmers upon an equal footing with other business men and masters of enterprise," and that he clearly understood just what that meant. Unlike ex-President Taft he came out openly and stated his position, soon after the revision of the tariff, in an authorized interview for the metropolitan newspapers, already quoted.

In his message to Congress in favor of the Federal Reserve bank law he said: "The pending currency bill does the farmers a great service. It puts them on an equal footing with other business men and masters

of enterprise as it should, and upon its passage they will find themselves quit of many of the difficulties which now hamper them in the field of credit."

How the President could have found that in the bill, even as introduced, is beyond my comprehension. He must have taken Mr. Reynolds' or Mr. Warburg's word for it, or perhaps he was thinking of things hoped for in the future, and this is in accord with another statement of his to the effect that they could not take up Rural Credits in the pending bill but would do so in a separate measure. And also in line with the closing sentence of the same paragraph in which he says: "What they [the farmers] need and should obtain, is legislation which will make their own abundant and substantial credit resources available as a foundation for joint, concerted action in their behalf in getting the capital they must use. It is to this we should now address ourselves."

How has President Wilson and his party kept that platform and official promise? There was no bill presented by the administration during that session. For some reason the President had received a new light, or was it as claimed by Herrick, p., at any rate his ardor suddenly cooled.

In his December (1914) message he barely mentions the topic, giving his next paramount issue less than four lines.

In his December, 1915, message he discusses thirty-nine topics, and forgets all about Rural Credits.

In 1916 he tours the country to reverse himself on a new issue, and never mentions Rural Credits.

That is the official record of President Wilson on Rural Credits.

They claim that the Hollis-Moss bill, which Senator Hollis called the administration bill, complies with the promise. If so, all the worse for the administration. I exposed it in *The Farmers' Open Forum* and it has not been answered, or refuted, and cannot be. Not only does it not comply with the promises made, but aggravates the situation, by setting a most dangerous

trap for the farmer borrowing bankers' credit, and obliging him to pay in "gold coin of the present standard, weight and fineness." Why not permit him to pay in the same kind of currency he borrows?

Well, that is the record of the party. There are some good loyal men in the party, who have made a good fight, but the party lash has brought most of them to time.

There has been no satisfactory reason given by Democrats for this second gross betrayal of the farmers. The first was in singling out agriculture as the only industry to be placed on the free list in the tariff revision; something the Republicans tried to do and failed, and now in the Federal Reserve law gave the bankers everything they asked for, and sacrificed the farmer.

But there has been an eloquent tribute paid to President Wilson and Secretary Houston by a no less distinguished person than ex-Ambassador Myron T. Herrick in his Kansas City address, as follows: "I am a Republican, but I would be unfair if I did not express my profound respect for the intelligent and patriotic firmness by which President Wilson and Secretary Houston have held in check the agricultural enthusiasts on their side in Congress. They had political reasons for quick action. The President, like Mr. Taft, had officially promised to do something for the farmer, but since none of the many plans devised were satisfactory, he used his influence to postpone the matter so as to afford the country time for reflection."

The foregoing compliment (!) is worthy of more than a passing notice. Myron T. Herrick has been a prominent Republican for a good many years. He has been Governor of the great state of Ohio, Ambassador to France, and a candidate for President. A prominent banker, representing the new sovereign, and speaking with knowledge and authority, to a state bankers association, and wishing to impress them with his non-partisanship, he expresses "my profound respect" for our chief executive for violating a solemn

party promise made before election, which secured him and his party many votes. In addition, a personal official promise, made by himself after election. What a low moral standard, or perhaps I should say highly immoral standard, for American politics! That address was put in leaflet form, and scattered broadcast over the nation.

Don't you think that it is about time to change the standard?

It was "intelligent and patriotic firmness" to coerce the "agricultural enthusiasts on their side" who thought a political promise meant something. Apparently, there was no coercion needed on the Republican side. But then it was only an official promise to do SOMETHING for the farmer. Everybody knows that it is a regular campaign joke to "buncoe the hay-seeds," which the farmer always forgives, or forgets. Thoughtless citizen. But the most significant sentence is right there in the middle.

They Had Political Reasons for Quick Action.

"They had political reasons for quick action," and doubtless Myron winked the other eye, and the banker audience laughed.

What has President Wilson to say of the compliment (?) and what do the "independent" farmers think of the code of honor, or dishonor?

What were the political reasons? And who held the big stick?

The men who voted for President Wilson, of whom I am one, are entitled to know.

Surely there is a lesson in that episode that every farmer, laborer and independent business man and woman, and professionals should take to heart.

It did not take a long, hard-fought campaign to unite the two old parties in Congress, to ignore their party platforms, and official promises to the farmers of the nation. Ex-President Taft and Myron T. Herrick herded them on one side, and President Wilson and Secretary Houston on the other, enthusiastically,

and patriotically non-partisan. Great is the political persuasive power of the House of Morgan.

Officially Promised Something For the Farmer.

"The President, like Mr. Taft, had promised to do something for the farmer."

It would be well worth while to read over again just what was promised the farmer. To the average, intelligent, thinking farmer it meant much more than a small reduction in the rate of interest for the few. It meant equal footing for the industry as a whole. It was the beginning of an era of justice too long delayed. And it is tossed aside as: Oh! any old thing labelled agriculture.

Throw good "old dog Tray" a bone, it will interest him for a time. It always has, and always will, so long as he recognizes a Master.

"The American farmer is sturdy, independent and self-reliant. There seems no emergency which requires or justifies government assistance, through government cash, or credit."

The way Europe was searched for information by the leaders of both parties, and the reports they made to their constituents, President Taft's letter to the Governors, which was also widely distributed, and President Wilson's interview of August 13th, 1913, all indicated a great emergency, and Secretary Houston gives a little cheap, very cheap, taffy.

If there is nothing "which requires or justifies government assistance, through government cash, or government credit," then why the Department of Agriculture? The farmers would be millions and billions of dollars ahead if they could trade off the Department of Agriculture for a Federal Investment bank, such as I have suggested, that would do for agriculture just what the Federal Reserve bank was supposed to do for commerce.

I say "supposed" advisedly, because it was designed to do wholly for the House of Morgan.

What nonsense to claim that agriculture is the only business, or industry, in the nation that would be demoralized by being placed upon an equal footing with any or all others.

If state aid is good for one, it should be good for all.

If bad for any, it should be removed from all.

Level up, or level down, that all may have equal opportunity.

The farmer who votes for President Wilson's reelection after this sacrifice of agriculture by tariff revision and betrayal on Rural Credits will by his vote endorse both. The same will be true of a vote for the Republican ticket, whether headed by a Hughes or a Roosevelt. Better vote for what you want next time.

OUR UNIT AND STANDARD OF VALUE—THE GOLD DOLLAR.

In 1873 the gold dollar was made our standard of value, and has remained so. Under a law enacted in 1890 we discontinued its coinage.

Up to June 30th, 1915, we had coined of the several denominations \$3,378,009,628, of which more than half, or \$1,771,694,596, had disappeared entirely; exported or used in the arts; proving it to be a very unreliable standard, for a medium of exchange, for American products.

The Treasury Department estimated that there was then in the United States \$1,606,405,032. Of this amount 40 per cent had been demonetized by decree of the House of Morgan, through the medium of the New York assay office.

Since June 30th, 1915, we have been demonetizing gold by decoinage, by same method, over \$50,000,000 per month.

We have practically ceased the coinage of gold; that is, we are now using in the arts about as much gold coin as we are coining.

The special interests who insisted a few years ago that we must have a "money of the world, a "money good in Europe"; or our trade and industry would suffer, were the same interests who are now responsible for its rapid demonetization, discredit and repudiation.

This "money of the world," "good in Europe," has ceased to circulate in Europe, Asia, or Africa, and practically so in North and South America. Gone in hiding, as it always has, when most needed.

During the year of 1915 the threatened importation of gold from Europe to pay for war munitions created a near panic in the ranks of the great conspirators, and which they hastily stopped, by extending almost unlimited credit to the Allies of Europe,

taking what is called "unsecured" promises (government bonds) to pay in "American gold coin of the present standard, weight and fineness."

At the same time, instead of having gold bullion coined into American dollars, they were rushing the New York assay office twenty-four hours a day to demonetize gold by melting into bullion.

It looked like an attempt to squeeze a premium from the Allies of Europe, as well as from the American victim debtors.

But, the Allies of Europe are not asleep, by any means.

The press reports, though brief, of a recent industrial conference in Paris to prepare, for after the war measures, indicates that they have all unanimously decided to change from gold to a paper currency, as soon as peace has been declared, thus repudiating their "mere scraps of paper" promises to pay in American gold coin, and well they may, as they will not have a cent on the dollar in gold to pay their gold debt obligations.

Can you imagine a greater folly, than for the greatest nation in the world, which we claim to be, and rightly so, composed of more than 100,000,000 of the most intelligent and industrious people on earth, with unlimited rich, natural resources, to continue depending for our future development, and the exchange of our labor, and labor products, on such an uncertain, unreliable, cowardly commodity as our "unit and standard of value"; our legal tender—lawful money—now monopolized, and hoarded, by a small group of Shylock creditors.

Oh! what fools and slaves the worship of gold as money makes of men, when manipulated by cunning knaves, who control the political machinery of government.

How much longer will the American people continue to trust such unnatural, incapable, or avaricious "pilots" to control our financial legislation, for their own selfish purposes?

We cannot afford to wait to secure an ideal financial system all at once.

We should proceed to organize for political and legislative action all along the line, wherever we can make a change for the better.

With that in view, I submit several propositions, upon which we should all be able to unite for legislative action at the earliest possible date.

For Immediate Action.

In view of the clear intent and purpose of the House of Morgan to control all the commerce and industry in our country, through a monopoly of the issue and administration of our medium of exchange, and the rapidity with which it is being accomplished by the demonetization and retirement of our money and currency, makes it imperative that the whole people be warned of the impending danger, and every effort made to thwart, postpone and prevent the final consummation of the conspiracy.

We should have a bill introduced and pressed in Congress to amend the Federal Reserve bank law in line with Section 30 of the proposed Aldrich bill, requiring that for all national bank notes retired from circulation Federal Reserve bank notes should be issued, and made lawful money. This would stop direct contraction from that source.

Up to April 1st, 1916, this had amounted to \$172,799,170.

Make All Money Issued Lawful Money.

An immediate and pressing need, is to make all money coined or issued by the government, a full legal tender for all obligations, public or private, or, in other words, lawful money.

From my own experience, I think that it is safe to say that not more than one person in one thousand understands, or fully realizes, the very marked difference between lawful money and the several kinds of currency we now have in circulation.

I would guess further that not more than one in one hundred engaged in the business of banking know.

And I will be charitable enough to say that I believe that not one in ten United States Senators and Representatives now in Congress, or who were in Congress when the several laws and amendments I am going to refer to were enacted, understood what they were voting for.

When you have read this chapter yourself, confess it.

Then inquire of your neighbor, your banker, merchants and business men. It will be a real benefit to them to know this important fact.

The information I am going to give on these several points is taken from an official book of the Treasury Department, "Information."

Lawful Money.

Official definition of lawful money: "Legal tender is a quality given a circulating medium by Congress and possessing this quality it becomes lawful money."

Gold Coin.

Gold coin is a legal tender at its nominal or face value in payment of all debts, public and private. And the standard since 1873.

The Silver Dollar.

In 1786 Congress chose as the money unit of the United States the coined silver dollar of 375.64 grains of pure silver.

This was changed in 1792 to 371.25 grains of pure silver.

Up to 1853, the minor silver coins had been a full legal tender.

The legal tender quality was then limited to \$5.

In 1878 the weight of the silver dollar was again changed, and it was deprived of its full legal tender quality by an amendment, "except where otherwise

expressly stipulated in the contract."* That will eliminate it when Shylock makes his demand.

The coinage of the standard silver dollar was discontinued in 1873 and restored to a limited extent in 1878. This latter law was repealed in 1893.

Subsidiary Silver.

In 1792 the minor silver coins were made a full legal tender.

In 1853 their legal tender quality was limited to \$5.

Since then the legal tender limit has been raised to \$10.

If legal tender for \$10, why not for \$20, or \$100? Why not unlimited, as they were for nearly one hundred years? This is one place where money monopoly has no reverence for "the fathers."

A peculiar feature of the law is that "They may be presented in sums, or multiples, of \$20 to the treasurer, or any Assistant Treasurer of the United States for redemption or exchange into lawful money"

The banker can gather them up in due course of business and have them converted into gold if he so wishes.

If they can be redeemed in unlimited quantity by sending them in to Washington, then why not Congress make them lawful money without all that expense and bother. The present method cannot be justified as good business for the people, with small amounts, or with large debts to pay.

In whose interest was this ridiculous farce enacted? There is only one guess necessary. You have guessed it the first time.

By so amending this law there would be added to our lawful money the very considerable sum of \$187,466,970, and this should be done.

There was no demand on the part of the people for this discrediting and demonetizing of silver money.

Then as the law stands today, neither the standard silver dollar nor the subsidiary silver coins are full legal tender, although for the purpose of deception they are made partially so.

Why was that exception clause added to the law making the silver dollar a legal tender?

And why was that legal tender quality of the subsidiary silver coins permitted to be limited?

I claim that it was a part of the general scheme of the money power to control the volume of lawful money in circulation, and that it was done with such cunning and skill as to escape the attention of the people, or their representatives in Congress, while the faithful engineered the legislation "in the interest of the people."

They could not demonetize silver openly, and what they could not do in the open, they have accomplished by stealth.

This becomes very easy under our present system of PARTY LOYALTY where the voter accepts of the "rubber stamp" selected by the money controlled party machine as their representative, instead of selecting and electing an independent representative of their own, a student of political economy.

The Silver Certificate.

They could not demonetize the standard silver dollar in 1878, for it was still the people's favorite coin, and too late the people had discovered the trick of 1873, by which coinage of the dollar had been discontinued.

However, under cover, they practically accomplished their object in the 1878 law by providing that the silver dollars in quantities of not less than ten, and in any amount above, might be deposited with the Treasurer of the United States, and receive therefor silver certificates, which are not a legal tender—lawful money.

Under this law, or amendment, by June 30th, 1915, there had been \$481,970,395 of lawful money taken out of circulation, and replaced by a shameful, fraudulent pretence of money palmed off upon the people. This left only \$64,647,156, supposed to be in circulation.

But they are not satisfied to leave that much out, although most of it that has not been lost, or privately hoarded, is now hoarded by the banks for transmission to the United States Treasurer for retirement, and the zeal with which they are retiring it is evident from the fact that since June 30th, 1915, to March 24th, 1916, \$3,325,433 in addition had been retired, and certificates substituted, which would increase the amount of silver certificates to \$485,295,828.

Legislation Necessary to Remedy and Restore.

If the several states will enact laws providing that debt obligations shall be payable in lawful money, and if Congress will amend the law of 1878, by cutting out the seven words that never should have been added "except where otherwise stipulated in the contract," and the unwarranted limit of the legal tender quality of the subsidiary silver coin repealed, we can restore to the volume of lawful money in circulation the very large sum of \$672,762,798.

Gold Certificates.

Another cunningly devised false pretence for lawful money was put over, and upon the people, by a law enacted in March, 1907, which "provides for the receipt of deposits of gold coin in sums of not less than \$20 and the issue of gold certificates therefor in denominations of not less than \$10."

"Gold certificates are not lawful money. They are receivable for all public dues and when so received may be reissued, and they may be held by Federal Reserve and national banks as lawful cash reserve."

They are lawful money for the national bankers, but not for the people; and these are the men who are so very much alarmed over the danger of special privilege and class legislation through rural credits. Consistency? Oh! pshaw!

Certificates of Uncoined Metal.

In March, 1911, another law was enacted, in the interest of efficiency, economy and public convenience

(?), authorizing the issue of gold certificates of the same quality as those issued for gold coin, on deposit with the United States Treasurer, against gold bullion, and foreign coin—mere commodities.

Up to June 30th, 1915, there had been issued of this sham pretence for money \$1,072,847,819.

It may be claimed that they are orders for lawful money. Well, so is your wheat, your corn, cotton, or other products of labor, surer and safer orders for money.

The rapidity with which these sham, misleading, deceptive certificates are taking the place of lawful money may be judged by the fact that by March 24th, 1916, the volume of gold certificates had been increased by \$411,529,120, in a little less than eight months, or over \$5,000,000 a month of gold being demonetized.

Put Congress on Record.

What a shame that our government has been led, or forced, into this wicked trap for the exploitation of the people! A deception unparalleled in the history of any civilized nation in the world, and unless speedily repealed, will result in untold misery and suffering.

We should demand of the present Congress the amendment of the laws of March 4th, 1907, and March 2nd, 1911, by insertion in the proper place, of the following five words: "All debts, public and private," That is all; and that would add to the volume of our lawful money at one stroke of the pen, the very large sum of \$1,484,376,939, with, in addition, the many millions now being demonetized, for the press reports are that the New York assay office is running twenty-four hours a day demonetizing gold through the medium of the melting pot.

The present Congress should be put on record, if it requires a special session of Congress to do it.

United States Notes—Greenbacks.

There is still supposed to be \$346,681,016 of these United States notes in circulation. They were auth-

orized before the conspiracy in its present form was conceived, and when Congress could, and did, write in the vital words, "a full legal tender for all debts, public and private."

It is well to remember that the \$60,000,000 demand notes remained at par with gold from March 17, 1862, when they were made a full legal tender.

But there was a sufficient sinister influence in control at that time to force the government to stultify itself by permitting the addition to the law authorizing the issue of United States notes, the following ten words: "Except duties on imports, and interest on the public debt."

Who was responsible for that amendment?

The soldiers at the front, the farmers, laboring men, mechanics, merchants and manufacturers were all willing to accept them as a full legal tender, in payment for services or products.

Tradition says that a group of patriotic (?) bankers had at that time secured a monopoly of all the free gold in the country, and also owned the government bonds; that they had also secured laws providing that all customs dues and interest on the public debt, must be paid in gold. Now, see in whose interest that exception clause was enacted. How smooth the game worked. That exception clause at once made a market for the bankers' gold, and enabled them to charge the importers, who must have it to pay customs dues, a premium for it all the way up to 275 per cent. Then, as the government received the gold for import dues the same bankers were waiting for the government to pay it back to them as interest on the public debt.

A perfect and profitable endless chain for said patriotic (?) group of bankers.

The responsibility is clear, and we may well fix the date for the inauguration of the conspiracy, with the enactment of that exception clause in 1862; for the policy has been fixed and persistent ever since.

Although the law has not been changed, the greenbacks have been freely accepted by the government for customs dues since 1879.

Then why not remove that ugly stain, by Congress cutting out those ten words "Except duties on imports and interest on the public debt"?

That would add \$346,681,016 to the volume of our lawful money, provided that there is still that amount in existence.

National Bank Notes.

The national bank note system, enacted in 1864, was heralded as a great patriotic scheme to primarily make a market for United States bonds, and on the side—not heralded—to provide a basis for the issue of cheap money, for the bankers' use, for private profit.

It was called the "best financial system in the world," because the notes were based on government bonds, and interest and bonds payable in gold. They are not lawful money; in fact, it is hard to tell just what they are. It was perfectly safe for the national bankers to worship them without fear of transgressing the first commandment, second paragraph. For proof of which I will quote the official definition: "National bank notes are not legal tender but are receivable for all public dues except duties on imports, and may be paid out by the government for all purposes except interest on the public debt and for redemption of national bank notes. They are redeemable in lawful money of the United States by the Treasurer but not by the Assistant Treasurers, and are also redeemable at the bank of issue."

Although obligations of the government, they will not pay debts due to the government.

They are not lawful money, but they are redeemable in lawful money at just two places in the United States.

The government can pay some things due by the government with them but not others.

They are not lawful money for the people, but are for the bankers.

What would be thought of an employer of labor who would pay his employes in money that he would not accept in payment of obligations?

Or of a merchant that would give a due-bill that he would not accept in payment for his own merchandise?

With 7,560 national banks scattered all over the nation, and all a part of one system, there are just two places where these national bank notes are redeemable.

A national system; the best in the world (?).

Because these notes were obligations of the government, they were readily accepted as money by the people, and when the Federal Reserve law went into effect in November, 1914, there were national bank notes in circulation to the amount of \$1,121,468,911, or better than one-fourth of the total volume of money in circulation. No; not money, mere due bills or promises to pay in money, which no creditor could be forced to accept.

There is, there can be no justification for our government to so deceive the people in our most vital legislation.

Then, instead of this ridiculous hodge-podge of mixed money, and currency, and impositions which President Taft called "a miserable patchwork that satisfied nobody," we should demand that Congress should promptly amend the law by eliminating the "tis and isn't's," and make it read plainly that the "National bank notes are a full legal tender for all debts, public and private." That's all.

This would increase the volume of lawful money by the full amount of the national bank notes in circulation.

Federal Reserve Bank Notes.

Official definition: "Federal reserve bank notes are identical in all their attributes with national bank notes," "the difference being that such notes are taken

out by Federal Reserve banks instead of by national banks."

"Federal Reserve notes are issued by the Federal Reserve Board to Federal Reserve banks and their attributes are the same."

As I have shown elsewhere the plan of the House of Morgan is to substitute a system of bank credit for money, "the only money to be a small amount for counter use" (Reynolds), and this Federal Reserve bank note nondescript currency is to be that farcical substitute for money.

Our Future Money.

Of the ten kinds listed by the Treasury Department this, by all means the very worst and most ridiculous in its attributes as a substitute, has been legally imposed upon us. The joint committee on Rural Credits calls it "a capstone on a superb structure for commercial credit."

And President Wilson accepted this, the most ragged patch in the bunch, as the model for our currency of the future—the Federal Reserve notes.

The last word in financial wisdom by the men whom Mr. Herrick calls "our natural pilots," and whom I think we might more properly designate the Sovereign House of Morgan.

The Paramount Issue.

Here, then, is the pressing paramount issue for immediate consideration and aggressive political action; important enough to rally around its standard every independent, or semi-independent, American citizen, and the organization of a new political party if necessary, with this as its paramount issue.

Preamble.

Regardless of the base, or security, for the several kinds of money or currency now in circulation; whether stamped on metal, or based on value; or greenbacks based on the faith and credit of the nation; or certificates based on metal, or other commodities; or national bank notes based on United States bonds, or

other security; or Federal Reserve bank notes based on commercial paper; or investment notes based on land; or on the stored products of labor; or on state bonds, or bonds of other political units.

The final base of security, after all, must be the federal government. It alone can issue money, real legal tender, lawful money, the only kind any sovereign state should ever issue.

When the security has been approved by the federal government, there should be no necessity for designating the base or security and needlessly multiplying the kinds of money.

There should be but one kind of money, and when issued by the federal government it should be a United States note; a full legal tender for all debts, public and private. That's all.

Platform Resolution.

To put it in the form of a platform resolution, something like this:

Whereas: Money is a public utility, issued by the government as a medium of exchange, and for the payment of all public and private obligations, be it

Resolved: That we demand that Congress shall, at the earliest practicable moment, so amend all of our currency laws, that all money, or currency, of whatever kind that has been coined or issued, or authorized by the government, directly or indirectly, shall be made a full legal tender, for all debts, public or private; and be it further

Resolved: That for the future, there shall be but one kind of money issued by the government, and regardless of its base, or security, or the purpose for which it was issued, it shall be simply a United States note; a full legal tender for all debts, public and private; and be it further

Resolved: that all money, coined or issued, should be issued to all classes of business or industries at exactly the same rate of interest, or tax, without private profit, and through the medium best adapted for the purpose.

FIRST LEGISLATIVE STEPS

One of the first steps should be to demonstrate to the general public whether it is possible to enforce our laws against usury as practiced by so many of our chartered public servants, known as national banks.

I have already shown how powerless and obedient even our greatest fighting chief executive was when the head of the House of Morgan called him.

I refer now to the smaller members, the feeders of the system—the national banks. The extent of their extortionate usury in violation of law, would have remained, veiled in comparative secrecy, had it not been for the accidental appointment of John Skelton Williams as Comptroller of the Currency; a public official who thought it was his duty to enforce the laws of his department. Space forbids more than a very brief quotation. As to the prevalence of usury, I quote from p. 23:

“The banks were required to give information on this subject in their reports submitted in response to the call for statement of condition as of December 31st, 1914, and also again at the time of each of the next five ensuing calls for statements. An analysis of the reports thereupon filed by the national banks shows that some national banks in nearly every part of the country, and nearly all banks in certain sections, have been charging rates of interest on some of their loans which are not only illegal and usurious, but which are intolerable, and if continued inevitably must sap the strength of their customers and injure the communities in which they operate.”

Page 25: “Especially from the South and Southwest, the West and Northwest, many bitter complaints have been received of excessive interest charged the farmers and others engaged in agriculture. In many instances the exaction of the money lenders make it impossible for the farmer to live comfortably and pay

the banks the enormous rates demanded for the use of money needed to produce his crops.

"The exorbitant rates charged the farmers are the more inexcusable when it is considered that the losses made by banks on agricultural paper have been light generally. The record shows that the farmers' loans, sooner or later, nearly always are paid, however great may be the sacrifices the farmer must make to meet his obligations. It is estimated by those in a position to judge correctly that the losses on loans to farmers throughout the agricultural regions amount to not more than a fraction of one per cent on the money loaned them. Yet the farmer has been, and is, obliged to pay, in thousands of cases, not only twice the rate of interest usually charged in the cities to merchants and manufacturers, where the risk is just as great, but he actually has been required to pay, in many instances, ten times the interest rate which he ought to be charged, or which is permissible under the law."

Note.—There is no reason to doubt these statements; they were made under oath, by the officers of the banks in question.

Why are the laws not enforced? I quote from p. 31:

"As the action against the offending bank must be brought by the customer who has paid the usurious interest, suits are brought rarely. The customer who borrows at these unlawful rates is afraid to bring suit for the recovery of the money improperly taken from him, realizing that he may be blacklisted by the banks, and however great his need may be at some future time he would be unable to secure further loans."

I know the truth of the foregoing from personal experience of myself and neighbors, when the common rate was from two to three per cent a month. It seems incredible that such a condition of usury, as reported by the Comptroller of the Currency for the year 1915,—much, very much, worse than we experienced here in territorial days,—should have been tolerated all these years, and continued after the en-

actment of the Federal Reserve law, which was to free us from all of our financial ills.

The Comptroller had been using moral suasion and threats for over a year to secure a moderation of the extortionate charges of interest. Then in his annual report he appeals to Congress for the enactment of "AN AMENDMENT TO PROVIDE THAT SUITS AGAINST USURERS BE BROUGHT BY THE DEPARTMENT OF JUSTICE."

"If there should be an amendment to the national bank act authorizing and directing the Department of Justice to bring suit against usurers upon information furnished either through the Comptroller of the Currency or through other sources, the practice of usury in all the national banks throughout the country can be stopped. I therefore earnestly recommend to the present Congress the passage of such a law."

The recommendation is well meant, and with ordinary law-abiding citizens might have the desired effect. He should have learned by this time that he is dealing with a special class, who know that they make the law-makers, and, having made them, have a right to control them, and do control them.

All anti-usury laws, are, and have been, useless in preventing usury.

The true remedy is to deprive any man, or body of men of the power to exact usury, by administering this public necessity, as a public utility, without private profit.

For proof, go back to 1907, when all of the big banks suddenly closed their doors, thus forfeiting their right to do business, and where was the Comptroller of the Currency? In this case it would be the Attorney General; well, where was the Attorney General then, when the Sherman anti-trust law was being violated? No; there is no use trying to regulate, or control, the men and system that are now enthroned by giving them a monopoly of the money of the country. "The men who control the money of a country

are absolute masters of the industry, commerce and legislation of that country."

What has been the result of the Comptroller's appeal up to date?

Although he was very careful to say that a large majority of the national banks were not violating the usury laws, the National Bankers' Association decreed that the Comptroller must be chastised for "lese majeste," "official meddling," etc., and the national council of the Federal Reserve Board have unanimously recommended that the office of the Comptroller of the Currency be abolished.

So far as I know the administration has made no effort to have the amendment enacted, and no member of Congress seems to have the courage to introduce such a bill.

There will be no more attempts made to regulate or control, by the present administration, than there was by the two preceding ones.

For the purpose of demonstration, we should demand and insist that the law be amended as recommended.

Where Begin to Reduce the Rate of Interest.

How and where shall we begin to reduce the rate of interest?

It is evident from the foregoing that we cannot hope for any change for the better under the present system, or through the medium of the political parties that have fastened the system upon us. And it is just as evident that we must begin at once an earnest fight all along the line if we are to regain financial freedom.

While aiming at the main fort, we must take advantage of every opportunity to capture a trench. That is modern warfare.

The first trench to capture is by state legislation by which we can reduce the maximum rate of interest to six per cent, for the use of money or credit.

Congress fixed the maximum rate of interest national banks might charge at six per cent, with an ex-

option clause as follows, Section 5197, United States Revised Statutes: "Any association may take, receive, reserve, and charge on any loan or discount made, or upon any note, bill of exchange, or other evidence of debt, interest at the rate allowed by the laws of the state, territory or district where the bank is located, and no more, except that where by the laws of any state a different rate is limited for banks of issue organized or existing in any such state under this title."

It will be noted that by the state fixing the higher maximum the national banks can raise their rates to the state limit. Then it follows, that if the state reduces the limit to six per cent, the national banks, by the federal law governing them, automatically must reduce their rate to six per cent..

For the future we will have ourselves to blame if we pay more than six per cent per annum.

A simultaneous effort should be made in every state of the union to fix the maximum rate at six per cent. We will thus materially reduce the rate of interest and be the better prepared to take the next step. It is useless to wait for others to do it. We must do it ourselves.

WILL THEY CONSENT TO BE CONTROLLED?

Will the national bankers consent to a reasonable control, and uniform rates of interest for their service as public officials? No; not willingly. Private monopoly, or the beneficiaries of special privilege, never consent to yield a point, unless it is temporary, to gain a larger stake. The more they get, the more they want, and the more arrogant and greedy they become. Indeed we must expect them and their subsidiaries to fight to the limit against any and every attempt, large or small, to regulate or control our medium of exchange.

This is not conjecture, or guess work; it is based on the general experience of the past few years and the actual experience of an honest public official during the years 1914-1915, the present Comptroller of the Currency, whose duty it is to see that the laws governing his department are enforced. He was not interfering with legitimate business; just courteously calling the national bankers' attention to complaints being made of certain violations of our banking laws, in re rates of interest being charged. That was all.

Much of the 1915 report of the Comptroller of the Currency should be issued in pamphlet form as a public document for free distribution and given the widest possible circulation, for educational purposes.

I shall quote just enough to whet your appetite—then send to your Representative in Congress requesting a copy, and use it to inform your neighbors as to what one branch of your public servants are doing.

Many national bankers resented the request, more especially the largest ones, as impertinent and over officious meddling on the part of a subordinate and remembering how they treated and were treated by a President, Attorney General and a Comptroller of the Currency in 1907, it is not at all strange that they

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should, nor that they promptly marked him for the official axe.

They not only objected to any reduction in rate of interest, but to any attempt to control. They have controlled so long that they look upon banking as a private business, with which the public have nothing to do, except borrow and pay interest. They have enjoyed the special privilege so long that they look upon it as a vested right. The larger the banks and the more favors they receive, the more relentless and arrogant they become. In the "bankers' panic of 1907" they would not let up until the national treasury had been drained to the limit, and then forced the sale of Panama Canal bonds, contrary to the intent of the law providing for their issue, and in addition forced the issue of "certificates of indebtedness." There was no let up in their demands until they were satiated. They did not need the money, except for exploitation, for they had locked up in their vaults of their customers and government funds, as shown elsewhere, more than \$800,000,000, which they were not using. It was to keep their victims from getting help.

So here again in 1914-15, under the crowning achievement in financial legislation, where money and credit was to be easy, industry to be encouraged and commerce liberated, there was no change of policy on their part. The treasury department had loaned the banks \$210,000,000 of "emergency currency" to help move the crops? Strange as it may appear, much of that went to New York City, and instead of the big bankers using the money to help move the crops, they used it to speculate with, and were charging usurious rates of interest. It is by such means that their banks can earn an average of 285 per cent annually on their invested capital.

The Comptroller politely called their attention to it, and suggested that they at least get down to legal rates. It was the three big banks that resented the suggestion with greatest assurance. On page 21 the Comptroller says:

"This bank, in replying, registered a formal protest against what its officers referred to as an attempt to force upon them a policy which they might not consider correct. In his letter the complaining bank wrote: 'We judge there is a sentiment by debtors not of prime standing or with prime collateral, and we feel that they should not assume that they are entitled to the same treatment by banks when they know the way they can easily have their notes reduced to 6 per cent or can pay.' In answer to this communication the Comptroller replied in part with unanswerable logic as follows: 'In such times as these through which we have been passing I consider that the weaker concerns and those who may not have been in possession of abundant resources should have been treated with special consideration and forbearance, and to levy against and exact from them excessive or unjust interest rates simply because they were, under unparalleled conditions, unable to help themselves, is not defensible. In all kindness let me remind you that the usury laws are framed more for the protection of the weak than of the strong, who can take care of themselves, and I am sure that you will agree with me that it is neither good policy nor good ethics, in times like these, to take advantage of the weakness or misfortune of a bank's clients and customers.' "

The bank in question had received \$10,000,000 of so-called emergency currency from the government for the express purpose of helping those in need. The Comptroller makes a splendid point in defining the object of usury laws, which might well be developed.

We may just as well recognize the fact that under the present system any attempt to regulate or control the national banks will be resented, and all laws that might interfere with their plans will be ignored, or violated in the future, under the administration of a Roosevelt, a Hughes, or a Wilson, as they have been in the past, and are being now.

The issue must be clear cut, with no fusion or compromise for a temporary political victory.

Is money a public utility; a medium to facilitate the exchange of labor and labor's products: or a medium for private profit and oppression?

Shall the people, or private monopoly, control its issue and administration?

The House of Morgan is now in supreme control; how may we best proceed to dethrone them; that is, which are their weakest "forts"? Around what "salient" can we rally our greatest strength?

For this I have offered a few suggestions for immediate political action, upon which I believe all financial reformers should be able to unite.

In the meantime each one can be developing his own ideals for a permanent solution, without antagonizing, or criticising adversely the suggestion, or plans of our co-workers. Let co-operation and co-ordination be our working policy.

Is There a Sufficient Margin at Six Per Cent?

Can the national banks afford to loan the people's money deposited with them for safe keeping for six per cent?

Under the old system, the margin depended on the rate of interest the banker paid on deposits, and the rate he charged his customers.

As they sometimes paid four per cent, and sometimes six per cent on time deposits and loaned for from eight to ten per cent, that is, the law abiding bankers, we may assume that the average margin was four per cent. True, under the national bank law, they paid only one-half of one per cent for national bank notes, which would have left a margin of five and a half, but this was offset some by the low rate of interest on the bond security, until the enactment of the Aldrich-Vreeland law, which permitted the use of "other securities." The free deposits were, of course, offset some by the reserves held, but a very conservative estimate would be a margin of four per cent, and the

business of banking has been the safest and most profitable of any in every village, town, or city in the whole country. But that will soon be ancient history. The old order is rapidly changing. We must now discuss the new system of the future.

There will be no government or lawful money to loan. All that is not withdrawn, or decoined, will be hoarded in the vaults of the "men who control," principally the vaults of the House of Morgan.

The plan of Warburg, and announced in advance by Mr. Reynolds, will be followed out to the letter as provided for in the Federal Reserve banks and other laws. They do not propose to lend money, just the credit of the banker.

Then the question for consideration is: can the national bankers loan their credit to you, based on your own property as security, for six per cent per annum? The state banks need not be considered, for there will be no "place in the sun" for them. Interest on deposits will be a novelty. Why pay interest on deposits, when it is their credit that they propose loaning?

It is under this new system that we must consider the margin, and for this purpose we must figure the Federal Reserve Board, the Federal Reserve banks, and the member banks as one system.

The Federal Reserve banks pay no interest on Federal Reserve notes.

There is only a nominal charge of about one-tenth of one per cent for printing, etc., no interest. Professedly, the Federal Reserve banks are not organized for profit; just to serve the people. The cost of administration, then, should be sufficient for them. Were they organized in fact to serve the people, one per cent interest would be sufficient.

But we know that they are organized for private profit. So we will call it two per cent; this would leave the member bank four per cent, or as large a margin as they legally had in the past. But, how long will it be before the member banks catch on, that if

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the Reserve banks are loaning their credit, instead of Reserve bank notes, that they too will accommodate only such customers as will be satisfied with credit instead of cash. Then the six per cent would be all velvet, except the expense of administration.

December 31st, 1915, there had been issued Federal Reserve notes to the amount of \$188,817,000, of which they had on hand \$21,910,000. There was held by the member banks \$11,139,395, which would leave in circulation \$155,768,605.

At same date the national banks had out in loans and discounts \$7,357,732,000.

We have Mr. Reynolds' testimony that in 1911 95 per cent of their then loans were credit and not money; so it would follow that 95 per cent of their bank deposits was an extension of credit on the bank books; and not a cash deposit. This very important fact wants to be kept in mind, for the greatest confidence game in the history of the world is now being palmed off on our people.

What rate of interest does the bank pay for the use of that credit?

Nothing whatever; **THEY USE YOUR CREDIT**, and charge you for a transfer, or exchange, of their credit for yours, just what they think your necessities will compel you to pay. A very liberal estimate of the actual expense involved would be one per cent. That would include the risk involved, leaving a margin of five per cent, or a larger margin than in the old system of loaning customers' deposits.

When the member banks catch on, as they soon will, they will rediscount very little with the Federal Reserve banks, and when they do, they will have to be satisfied with a ledger credit, instead of Reserve bank notes.

Of course they will claim that the margin is too small, and they will threaten to surrender their charters, just as they did in 1913; a mere bluff. But if they should, we can console ourselves with the thought

that bankers are not born bankers, nor is their business entailed; they just develop from ordinary business men and farmers.

Recognizing, and insisting, on the fact that money is a public utility, and its administration a public service, we are not planning for immense private profits, just a fair and reasonable compensation for services performed.

In addition to the enactment of the state law, limiting the rate of interest to six per cent, we should have a state law similar to that recommended by the Comptroller of the Currency for the enforcement of our state usury laws. The rate of interest to be charged should be definitely fixed by law, both federal and state. This regulating by commissions is as great a farce as having our tariff laws dictated by the protected manufacturers, or our railroad rates fixed by pro-railroad commissioners, or our banking laws by a board of bankers.

It is useless to waste time and effort amending the laws, unless they can be enforced.

If the system is superior to our government, and our laws, let us openly confess it, and stop the farce of popular elections.

THE FEDERAL RESERVE ACT.

What was the intent of the Federal Reserve Act?

Senator Aldrich said that it was to prevent 'putting the currency issue and the entire banking industry of the country into the hands of the government.'

Mr. Reynolds said that it was to change our whole financial system from government money to bank credit, that we did not need money to transact our business, just bank credit and a check book.

Senator Owen said that it was to be a bank for banks, a bankers' bank.

The Federal Reserve Board says that it was intended as a public trust, to be administered for the common welfare—for the good of all.

Mr. Rich says that it was to enable the commercial bankers to better and more efficiently serve the needs of agriculture, commerce and industry.

Mr. Warburg says that it was to enable the United States to become the great creditor nation of the world; the WORLD'S BANKER.

President Wilson said that it was to furnish the machinery for free and elastic and uncontrolled credits put at the disposal of the merchants and manufacturers of this country.

Theodore Wold said that contrary to the general belief the most important feature of the new law is elasticity of credit, NOT ELASTICITY OF CURRENCY. The demand therefore was for a measure which would in emergencies increase the lending power of the banks.

Senator Aldrich was the only man who frankly told the truth, and was promptly deposed as the leader, and his great ambition to have his name go down in history as the author of this great financial reform was denied him. If the truth were told I think it would be found that he died of a broken heart; but it was always thus with private monopoly.

The Senator thought the fight could be made in the open (see pages 108-109); they preferred to follow the usual course of deception and misrepresentation.

I say, and I believe that I have given proof that will convince any unprejudiced mind, that in its inception it was a conspiracy against the whole people of the United States, planned by a man who was not a citizen, for the purpose of securing control of the labor, business and commerce of the nation, by usurping the constitutional power of our government to issue and control our medium of exchange, and substituting therefor a system of bank ledger credits, wholly uncontrolled by the public, and to be administered for private profit.

The only limit being that of endurance, by the producers of the nation.

I will quote briefly from the first annual report of the Federal Reserve Board, as to what the system purports to be.

It had been my intention to give considerable space to the Federal Reserve law in closing, but space in this book will not permit doing justice to the subject, so I will content myself at this time with briefly touching on a few of the more important points, and leave the fuller development for a special study of the system, if I find there is a demand for such a work.

A Public Trust—For the Good of All.

First Annual Report, p. 17, we find a very significant paragraph:

'It should never be lost to sight that the Reserve banks are invested with much of the quality of a public trust. They were created because of the existence of certain common needs and interests, and they should be administered for the common welfare—for the good of all. The more complete adaption of the credit mechanism and facilities of the country to the needs of industry, commerce and agriculture, with all their seasonal fluctuations and contingencies—should be the

constant aim of a Reserve bank's management. To provide and maintain a fluid condition of credit, such as will make of the Reserve banks at all times and under all conditions institutions of accommodation in the larger and public sense of the term is the first responsibility of a Reserve bank."

Page 18: "There will be times when the great weight of their influence and resources should be exerted to secure a freer extension of credit and an easing of rates in order that the borrowing community shall be able to obtain accommodation at the lowest rates warranted by existing conditions and be adequately protected against exorbitant rates of interest."

The foregoing is a splendid conception of what the functions and duties of a public service board should be and worthy of the pen of Thomas Jefferson. It is signed by the whole Board: W. G. McAdoo, J. S. Williams, C. S. Hamlin, F. A. Delano, P. M. Warburg, W. P. G. Harding and A. C. Miller,

In the selection of a Board to direct the controlling public utility in the nation as affecting "the needs of industry, commerce and agriculture—with all their seasonal fluctuations and contingencies," that would have inspired confidence in the ranks of "industry, commerce and agriculture," the Board should have been composed of men who were noted for having made a special study of these "certain common needs and interests," and devoted their lives, or a reasonable part of them, to "the common welfare—for the good of all"

Now read that list of names over carefully once more, and see if there is a single name on that list that you ever heard of in connection with the promotion of 'the common welfare—for the good of all,' prior to their appointment on that Federal Reserve Board, to organize, administer and control our medium of exchange, the life blood of agriculture, industry and commerce.

I have been a close reader of current events during the past thirty years, and especially interested along those lines, and I have no recollection of ever having seen the name of even one of those distinguished men in connection with any movement, remotely related to "the common welfare—for the good of all."

There are two men on the Board, placed there in direct opposition to the wishes of the men who control the Board, viz.: the Secretary of the Treasury and Comptroller of the Currency, who were placed on the Board by Congress to give a semblance to the idea of government control, by having representatives of the government on the Board.

It was around this feature the closing fight in Congress was waged, the public overlooking the fact that the money monopoly controlled the government, and that the appointment of members of a cabinet whose chief was under obligations for his election to this same money monopoly. See Myron T. Herrick's tribute to the President and ex-President, p 198.

The Federal Reserve law was not permitted to pass Congress until the representatives of the system were satisfied that they would have absolute control of the Board and the system.

That this was clearly foreseen and intended by the House of Morgan and understood by the National Bankers' Association, I quote from their Vice President and lobby representative in Congress, in his "Aldrich Currency Plan Interpreted," published in 1911, p. 15, in commenting on Section 12 of the proposed Aldrich plan. Mr. Reynolds said: .

"The consensus of opinion of bankers is that this clause should be modified so as to give the directors power to appoint and to remove for cause the Governor of the Reserve Association of America and his two deputies. There is good reason why this should be done, since it is fair to assume that the forty-five directors would be in a better position to pick out a competent man for that very important position than

would be the President of the United States. Besides this, it must be remembered that the Reserve Association of America, although acting as fiscal agent of the United States government, is not a government bank in the sense that the great central banks of Europe are. It is primarily a bank of banks, and for that reason the banks rather than the government officers should have it to say who the executive officers should be."

Senator Owen, chairman of the committee, in introducing the bill, said in part (Cong. Rec., p. 6766): "All of these considerations urge that the Federal Reserve banks should be banks for banks, bankers' banks; and not a public bank competing with the banks for business."

Paul M. Warburg, the author of the system, said December 25th, 1913: "The enactment of this legislation will inaugurate a new era in the history of banking in the United States. While it is regretted that some important suggestions made by the business community could not have been adopted, the fundamental thought for the victory of which some of us have worked for so many years have won out. From now on, we shall witness the gradual elimination of the bond-secured currency, of scattered reserves, of immobilized commercialized paper and of pyramiding of all call loans on the stock exchange."

In an address before a meeting of the Governors of the Federal Reserve banks at Minneapolis, October 22nd, 1915, Mr. Warburg said in part, and this may be considered as the official opinion of the Federal Reserve Board: "There is no such thing as the interest of a Federal Reserve bank as against the interest of member banks. As yet I fear this is not sufficiently understood. The Federal Reserve bank is the members' bank; it is your bank, your fire engine, constructed for your greater protection. You have paid for it, and you are operating it. We are to be considered your fire marshals."

There is nothing in that to indicate that it is a public service institution, but the very reverse.

Their official organ, 'Monetary Reform,' stated emphatically that the Federal Reserve law would not pass Congress, until made satisfactory to the National Bankers' Association, and Paul M. Warburg after it was enacted, said to an investigating committee that it was satisfactory to them, with a few exceptions, which the Federal Reserve Board had the authority to supply.

The Federal Reserve Board was organized and is controlled absolutely by an organization whose whole aim in business is to exploit the industries of the nation for their own private gain.

The two exceptions on the Board of seven members are the two "ex-officio" members, the Secretary of the Treasury, and the Comptroller of the Currency. I have given these two men credit, where they deserved it, and especially John Skelton Williams, who has tried so hard to protect the people "against exorbitant rates of interest." Also noted the fact that for doing so the Federal Reserve banks through their counsel have unanimously started a movement to abolish the office of Comptroller of the Currency, and thus get rid of the one member who has shown any sympathy "for the common welfare—for the good of all," which causes us to consider that it must have been John Skelton Williams who wrote the report under the impression that the Federal Reserve Bank system was intended for public service.

He knows, and the public knows better now.

President Wilson, in signing the Act, said in part (See January, 1914, Commoner): "Then there came upon the heels of it [the tariff bill] this bill which furnishes the machinery for free and elastic and uncontrolled credits put at the disposal of the merchants and manufacturers of this country for the first time in fifty years."

If the President was sincere, and I will concede that he was, was ever a responsible public official so grossly deceived by his advisers?

How does the Federal Reserve Board administer this "public trust"?

Their first thought in every movement as public servants, administering a public trust, should be: will it be for "the common welfare"? "For the good of all"?

How is it with the Federal Reserve Board in practice?

There can be no better test than that of service.

And in service, no better test than the policy governing discounts.

There should be no distinction as between individuals, classes, business, or industries.

The Discount Policy.

The security being equally good, the discount rate should be the same for all paper, except perhaps the one consideration of expense of handling; the expense of handling long time paper being less than that of short time paper.

Circular No. 13 of the Federal Reserve Board issued November 10th, 1914, will be found on page 182 of first annual report. It is too lengthy to quote in full, so I will just give the substance, necessary for this topic. "Commercial paper. The Federal Reserve Board, under section 13 of the Federal Reserve Act, has the right to determine or define the character of paper eligible for discount."

The requirements are so drastic and rigid as to make the security absolute. Indeed they read as though prepared with the view of discouraging discounts, which I know through a banker friend who tried to discount paper to have been the case.

Page 10, first annual report: "The act gives power to each Federal Reserve bank: to establish from time to time, subject to review and determination of

the Federal Reserve Board, rates of discount to be charged by the Federal Reserve banks for each class of paper, which shall be fixed with a view of accommodating commerce and business."

The Board asked the views of each of the Federal Reserve banks as to what they thought the rate should be.

They did not ask the representatives of agriculture, industry and commerce, as to their view of "accommodation," or what the rate should be for "free and elastic and uncontrolled credit."

Now just keep in mind the following facts .

The Federal Reserve banks did not have to pay any tax, or interest, for the Federal Reserve notes; just the bare cost of printing and issue.

"Upon tabulation of these results it was found that they did not vary greatly, the rates ranging from 5 to 7 per cent for 90 day paper. A study of the existing state of affairs satisfied the Board that at the start and until the banks could get a firm footing it should act with prudence and conservatism, and it was consequently voted to fix the rates of discount at from five and a half to six and a half per cent."

If the members banks were as considerate (?) in their commission "to accommodate commerce and business," what would the rate be?

The Federal Reserve bank took no risk; the member banks did.

Let me repeat President Wilson as quoted: "Free and elastic and uncontrolled credits put at the disposal of the merchants and manufacturers." Had the Board no thought of, or mercy for, the President?

They certainly did not have for the merchants and manufacturers.

Their policy was one of discouragement; not encouragement.

"Uncontrolled credits"? Rigid control of credits to force higher interest rates is the controlling policy of the Board.

Congress had fixed the rates of interest that might be charged for the use of national bank notes, but there was no such provision in the Federal Reserve Act. That power was conferred on the public service (?) Board.

Rates According to Maturity.

To the layman, it would seem that the longer time the paper had to run, the lower the rate of interest.

The banker will give you as an excuse for a higher rate of interest on a week, or ten day loan, that the clerical work is just as great for a ten day loan as for 90 days, and that is reasonable.

The Federal Reserve banks will give a lower rate for nine ten day loans than for one 90 day loan, or for eighteen ten day loans than for one six months loan, and this policy is approved of by the Federal Reserve Board. For proof of which see Exhibit A. 1915 report.

I quote those for the West and South:

Maturing within ten days, 3 per cent.

Within 30 days, from 4 per cent to $4\frac{1}{2}$ per cent.

30 to 60 days, 4 per cent to $4\frac{1}{2}$ per cent.

60 to 90 days, $4\frac{1}{2}$ to 5 per cent.

Agricultural and live stock paper over 90 days, $5\frac{1}{2}$ to 6 per cent.

Commodity paper maturing within 30 days, $3\frac{1}{2}$ per cent.

After 30 days but within 60 days, 4 per cent.

After 60 days but before 90 days, $4\frac{1}{2}$ per cent.

After 90 days, 5 per cent.

Acceptances, 2 to 4 per cent.

What Are Acceptances?

Page 3 of report: "The development of the bankers' acceptance, by means of which American institutions are beginning to occupy a leading place in the financing of the world's international trade, has gone steadily forward. The total amount of such accept-

ances outstanding at the close of the year 1915 is estimated at fully \$100,000,000—an auspicious beginning in this branch of business and one of significant importance,” etc. Page 5: “At the close of 1915 the lowest rates made by the Federal Reserve banks for any class of paper were those on bankers’ acceptances, approved by the Board at from 2 to 4 per cent, but running in actual practice only a little above lower limit thus stated.”

Well Worth Comparing.

Page 4: “The direct discount of reserve banks for member banks has at no time been much in excess of \$30,000,000, notwithstanding that practically every type of commercial paper available for discount at Federal Reserve banks has been defined and described.”

Better read those two paragraphs again to catch the full significance of them.

To encourage foreign trade, the Federal Reserve banks, on approval of the Federal Reserve Board, discounts acceptances, at a fraction over 2 per cent, and in less than four months they have thus loaned over \$100,000,000, almost entirely by the New York banks.

To encourage home commerce and industry, they charge nearly 5 per cent and at no time during the fourteen months operation have they loaned “much in excess of \$30,000,000.”

Then the next paragraph, page 5, begins thus: “DISCOUNT POLICY. The Board has endeavored the past year to develop a consistent discount policy, graduating its rates according to the maturity and character of paper discounted or purchased in the open market.”

You may think that the policy is not consistent, and you would be right as to the principle, but it is consistent with the plan of the House of Morgan, whose vision, now that they have complete control of the United States, expands to the wider world control.

And as is the case with the protected manufacturers, reaching out for foreign trade, they will sell cheaper abroad than at home; so the men who control, propose loaning abroad cheaper than at home, and it is their fixed policy to prevent a reduction of interest rates in the United States, as I will prove later.

Commodity Rates.

The term "commodity rates" refers to the special rate provided to aid in marketing the cotton crop, and might have been used for other staple, stored agricultural products. On page 7 of report we find:

Non-Perishable Farm Products Excellent Security.

"The committee entertained the view that warehouse receipts for cotton, grain and other staple, non-perishable agricultural products of a readily marketable character, form an excellent base for bank loans, particularly as under the terms of the Federal Reserve Act and the regulations of the Board, notes thus secured are eligible for discount by Federal Reserve banks."

Better Than Government Bonds.

A leading Chicago banker testified before a Congressional committee that they considered wheat in store better security than government bonds. Then why not have the very best discount rate?

Again, to slightly paraphrase Lloyd George, "Wheat and cotton is our international coin."

Security Being Equal, Why Not Uniform Discount

Rates?

The security being absolutely good, or they would not discount at all, and the regulations governing eligible paper guarantee that, "For the common welfare—for the good of all," every business and industry should be treated exactly alike, and the preference

always given to American citizens. America first, in the use of American money, or credit.

In practice, we have this public trust administering this public utility, loaning at 2 per cent on acceptances to encourage foreign trade.

At three per cent to accommodate the brokers of New York and Boston and the grain speculators of the North and West.

Agricultural paper, on "the best security in the world," at five to six per cent on six months' paper.

On page 29 we find: Discount rates for agricultural and live stock paper, over 90 days 5 per cent, as against under 90 day paper 4 per cent, a discrimination of 25 per cent.

That was not what the people were promised in the Federal Reserve Act.

I maintain that, as usual, it was a gross misrepresentation of the intent of the promoters.

The extreme reverse of the altruistic picture painted.

The "public trust" became a private monopoly of the most pronounced and far-reaching power.

"Common needs and interests" were sacrificed to the insatiate greed of a few men.

Instead of being "administered for the common welfare—for the good of all," it is being administered as the House of Morgan directs to control and exploit every industry in the nation, and actually reaching out for world control, at the expense of American industry.

Now, for the proof.

The Revolution—A Change From Government Money to Bank Credit.

On page 65 I quoted from Mr. Reynolds' 1911 campaign speeches.

It will not be necessary to quote him further.

The gold settlement fund was another device to accumulate and to hoard gold.

Theodore Wold, President of the Scandinavian National Bank, Governor of Ninth Federal Reserve Bank, said:

"Contrary to the general belief the most important feature of the new law is elasticity of credit, not elasticity of currency.

"Under modern development of business the use of currency has given place in all but rural districts to the use of checks on bank deposits."

The object of the conspirators was three fold.

First: To secure a monopoly of money and credit, that they might charge for its use all that labor would, or could, stand.

Second: That the dollar loaned should constantly increase in value during the period of the loan.

Third: To loan their credit, and take obligations payable in a money out of circulation, hoarded in their own vaults and for which they could exact such a premium as the victim could stand, or forfeit the security.

It was a cruelly vicious conception.

The very worst in the world's history.

If the completion is permitted, it will cause more misery and suffering than the present world's greatest war.

There were a good many factors to be taken care of, but Mr. Warburg had made a special study of the problem for many years, and with almost cruel, Jewish-German efficiency, had worked out the problem to the entire satisfaction of the elder Morgan, and by the aid of the shrewd political manager and lobbyist, Reynolds, the car has rolled along, with scarce a hitch.

When the story is written in full, it will be as marvelous as any dream of fiction.

First: They must get the government out of the banking business.

There are two things with which I have become very familiar, since coming to the Territory of Dakota, viz:

"Take the government out of the banking business," and

"Keep the farmers out of the grain business."

I have shown how they not only got the government out of the banking business, but how, through a judicial hint from ex-President Taft, the government could delegate its constitutional powers to issue money to the Federal Reserve banks, without amending the constitution.

They now have complete control of the issue of money.

They do not want to loan money, not even though it be furnished by the government free of interest. This was proven in 1915.

A change of government might upset their plans.

It could not have been by chance; it must have been by design, that of the eleven kinds of money issued by the government, there was only one kind, a full legal tender for all debts, public and private.

All the rest had one or more exception clauses.

And they have practically annulled that kind by substituting certificates that are not lawful money. (See page 202.)

Emergency Currency to Aid the Farmers.

In 1913 and 1914 the Secretary of the Treasury, in his efforts to induce the national bankers to aid the farmers, offered to deposit large sums, to be loaned free of interest, and did so deposit, urging the bankers to loan to the farmers at a reasonable interest rate. They took the money, but did not loan it at the rate of interest. This was repeated in 1914.

In 1915 he made an annual report): "credits responsi-

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ness, assuring an ample supply of credits at reasonable rates of interest.

"As the operation of the Federal Reserve Act becomes more and more extended and felt throughout the country the value of this useful piece of legislation will be more and more realized, and more and more appreciated."

Warned by the bankers' failure to respond in previous years, he stipulated that to get this free gold deposits, the Federal Reserve banks must loan to the member banks for 3 per cent, provided that the member banks loaned on the stored, non-perishable agricultural products at not more than six per cent. This both the member and Reserve banks at first refused to do, but after strong pressure, three of the Southern Federal Reserve banks agreed to rediscount such commodity paper for three per cent, and a few of the member banks loaned on stored cotton at 6 per cent.

Although the movement was not general, or the amount large, considering the amount of the crop, the effect was just what we predicted it would be in the advocacy of our sub-treasury bill twenty-five years ago; and, for proof I quote very briefly from the annual report of the Secretary, page 5: "I am led to believe that the government's action had a happy effect upon the situation; that it contributed to the immediate restoration of confidence, prevented demoralization, and was a potential factor in the steady rise in the value of cotton, from between 8 to 9 cents a pound at which it was then selling, to between 11 and 12 cents a pound, at which it is now selling."

The Federal Reserve Board reports, page 8: "Within 60 days, prices advanced from 8 cents to 12 cents per pound. There was a steady movement of the staple to primary markets, the price of cotton seed advanced to a figure that added from \$20 to \$25 a bale to the farmers' income, and comparatively little cotton had to be carried by banks for producers."

Estimating the bale at 500 pounds, there was an increase in the price of cotton of 4 cents per pound, equal to \$20, and an increase in the price of cotton seed of \$20 to \$25,—\$40 to \$45, or a little more than doubling the price, within 60 days.

Secretary McAdoo gives the Federal Reserve law the credit for this real progressive step in the handling of staple farm products, but neither the system nor the banks are entitled to one iota of credit. The whole credit is due to the Secretary of the Treasury.

The Federal Reserve banks and the member banks were loth to move in the matter. They had refused to move the previous two years. They disliked that precedent of six per cent, no commission money.

But there was a potent factor behind the Secretary, in a goodly number of loyal members of both branches of Congress, backed by a strong organization of farmers.

This proposition was not limited to the South, as some of our partisan politicians have intimated, indeed it would seem to be their chief stock in trade. I quote a paragraph from page 7: 'These regulations do not apply to cotton alone, but cover as well all non-perishable, staple commodities in all parts of the country, and like all credit facilities are available to producers in all parts of the country.'

It required an active campaign to induce the Southern bankers to permit the government to dictate the rate of interest to be charged.

W. P. G. Harding, a member of the Federal Reserve Board, was sent South to urge the banks to accept the proffered help of the government on the terms offered, viz.: the free use of gold to the system, if they would consent to handle it on a six per cent margin.

At Birmingham, Ala., August 25th, before the Alabama Merchants' Association, he "urged Southern bankers to make concessions to finance the crop. Present conditions fully justify the low rates, and South-

ern bankers should be willing to forego temporary profits for the sake of security and solidity in the future."

In this connection it should be remembered that the Federal Reserve Act (paragraph (d), section 14) gives the Federal Reserve Board the absolute power to fix the rate of interest the Federal Reserve banks may charge, and also the rate the member banks may charge. The Board is supposed to represent the government. It is appointed by the president for that purpose.

The Secretary of the Treasury is the financial arm of the President's Cabinet, and is supposed to represent the government directly.

If the government controls, why did it not control? Why plead?

The Federal Reserve Board had started out with a discount rate for the West and South for ninety day agricultural paper of six and one-half per cent (see Exhibit M). Why did not the President insist on the Federal Reserve Board fixing what he and his Secretary thought a "reasonable rate"?

Instead Mr. Harding is sent to the South to plead with the merchants to use their influence on the bankers, and the press reports said that: "President Wilson, in a letter read by Mr. Harding, expressed confidence that banks in the agricultural regions, the South particularly, would content themselves with not exceeding two per cent above the rate they themselves pay on money for meeting the cotton problem, and said the cotton producers should exact what they have a right to expect from the banks." And "the cotton producers" did so exact.

The result of the campaign in the South was that two of the Federal Reserve banks lowered their commodity rate to member banks for rediscounting cotton paper to three per cent, and a few member banks loaned on this cotton paper for six per cent, and the price

of the cotton crop was doubled (cotton and cotton-seed).

If a reduction from normal rates to six per cent had such a beneficial effect not only on the farmers of the South, but on the whole legitimate business of the South, what would it have been if the rate had been lowered to "two per cent above the rate" the bankers paid for the use of that money? Two per cent for member banks and two per cent for the Federal Reserve banks, would make 4 per cent.

Or even if the bankers had loaned out to the cotton growers the full amount deposited by the Secretary for that purpose, which was \$15,000,000 in gold.

On this they could have issued and loaned \$37,500,000 of Federal Reserve bank notes; instead, up to the first week in November (page 8), the total loans had only reached \$3,548,293, or less than one-fourth of the money deposited, or one-tenth of what they might have loaned.

The foregoing is a complete refutation of the Secretary of Agriculture, who said officially, "There seems to be no emergency which requires or justifies government assistance to the farmers directly through the use of the government's cash or credit."

The President should introduce his Secretary of Agriculture to his Secretary of the Treasury.

And President Wilson should be congratulated on his remarkable conversion from "The farmers, of course, ask and should be given no special privilege, such as extending to them the credit of the government itself."

Confronted with the uprising of his loyal supporters in the South, the President is willing to loan the government's good gold money, taxed from the people, to the bankers free of interest, to aid the farmers to hold, or move, their crop, and publicly pleads with the bankers to be reasonable (?), and be satisfied, at least temporarily, with a joint commission of six per cent. An extra two per cent.

The Federal Reserve banks, which were not organized for profit (?) and governed by a Federal Reserve Board of the President's own choosing, so that the government would control, in the interest of the people, were obdurate, and insisted on regular rates, but there was a political emergency on, and they finally compromised, the Federal Reserve banks to receive a commission of three per cent, and the member banks three per cent. The government nothing.

However, the lesson is a most encouraging one.

When the farmers organize, and insist in earnest on a reasonable proposition, the politicians will come to time.

The experiment of 1915 for the South, where tried, was a pronounced success. Why not make it permanent? Why not make it apply to the whole nation? Why not to every industry having non-perishable products of labor in store?

Why not make the rate 2 per cent, which President Wilson said was sufficient?

Why pay the bankers that unnecessary 4 per cent tax, for their own private profit?

How Was It in the North and West?

Ignorant, or unfair, "practical politicians" in the North and West are trying to make political capital out of the success of the Southern cotton and tobacco experiment, as though it was only a sectional movement, in the interest of one political party. I have heard the charge made by one Republican Congressman, that it was purely sectional in the interests of the Southern farmer, and he clinched it by the old worn-out appeal to sectional hatred that we could get nothing for the Northern farmers because "the South is in the saddle." This was repeated again this year by another Republican Congressman, whose only excuse for failure to secure satisfactory rural credit legislation was "you know the South is in the saddle." I have already shown why the South succeeded.

I will now show why the North and West failed.

The Minneapolis Federal Reserve bank refused to accept the terms until the wheat was out of the farmers' hands, and the farmer lost 60 cents per bushel. Republican candidates for Congress sneer, and say, "the South is in the saddle," and we can do nothing. When the farmers of the North and West protest as earnestly as did those of the South they will be treated the same.

What better proof do we need that the law of supply and demand applies to money the same as to any other commodities?

The present Secretary of the Treasury, after warding off a threatened "bankers' panic," doubtless engineered as usual to influence financial legislation (the Federal Reserve Act) in the early summer of 1913, by offering \$50,000,000 new national bank note currency (see page 1, 1913 report). The House of Morgan did not want an increase in the volume of currency.

What they wanted to make sure of was a change from money to bank credit by the enactment of the Federal Reserve Act, and the panic was to influence Congress.

The Secretary having blocked them in the Spring panic, they began planning for a Fall panic. For proof of which I quote from the same report, page 2:

"Toward the latter part of July symptoms of uneasiness began to reappear. There was much talk about the difficulty of moving the fall crops and the annual apprehension on this score began to stalk about the country with more than usual vigor.

"It is characteristic of our imperfect and unsatisfactory banking system that the very prosperity of the country becomes, at times, a menace, because of the apprehended inability of the banks to meet the seasonal demand for the large amounts of money required to move a bounteous harvest."

"To relieve this strain the Secretary determined to deposit from \$25,000,000 to \$50,000,000 of government

funds in the national banks in those parts of the country where the necessity for funds to move the crops existed."

The game was well played.

"Our unsatisfactory banking system" was well exploited.

Three sectional groups of national bankers were called to meet in Washington, representing all of the country, except the Eastern portion which was all right for the Federal Reserve bill, and did not need any extra money to move their crops.

As a result of those conferences (see page 3) allotments were made as follows:

South and Southwest, \$22,550,000.

Middle and Northwest, \$19,000,000.

Pacific Coast and Rocky Mountain, \$4,950,000.

Total, \$46,500,000.

"In the discussions at Washington, the representatives of the banks were urged to pass the government funds on to their country correspondents upon reasonable terms."

That was very considerate on the part of the unsophisticated Secretary. He forgot to fix the rate of interest, or take a bond for performance, and neither rate of interest nor terms to the farmers were modified.

The national bankers were the sole financial beneficiaries.

However, the allotment was non-partisan and non-sectional.

The same was true for the year 1914.

Again there was a need for more money to move the crops in 1915, as there always will be, until we provide a scientific monetary system, that will automatically respond to demand for use, and again an offer of assistance was made on the same terms to each and every district.

Only three Reserve banks applied for deposits, viz.: Richmond, Atlanta, and Dallas, and each received \$5,000,000.

In reply to the Secretary's letter of inquiry of September 9th, the Minneapolis Reserve bank stated, in part, as follows: "At this time the Northwest is amply supplied with funds, and rates are very low. This bank has ample resources to meet the current demands upon it and still provide a very considerable reserve against any emergency that may arise before the crop has reached its markets."

The Kansas City Reserve bank answered as follows: "Our district has been full of money, so to speak, and, while the demand is increasing now, I do not think it will reach the point where we will be unable to handle it with our own resources."

The St. Louis Reserve bank answered, in part: "At the present time this bank has in its possession all of the funds that there seems any possibility of it needing adequately to care for district No. 8."

Very Cheap Politics.

It is very cheap politics, then, for Republican congressmen from the North and West, to excuse themselves for not even trying to redeem their platform promises to the agricultural interests, by the unstatesmanlike, untruthful pretext that "there was no use trying, because the South was in the saddle."

First: Unstatesmanlike, because their duty was to try, regardless of the obstacles in the way.

Instead, with unparalleled unanimity, they voted for all the Democratic financial measures, especially for the Federal Reserve bill, and the Rural Credits fake.

Second: Untruthful; because the South is no more in the saddle now, than was the Northwest and West in the saddle during the two preceding administrations.

The East is more firmly in the saddle now than ever before, by the united efforts of the Republican and Democratic parties during the past three years.

Had our Representatives from the Northwest and West been as faithful to their constituents as were the majority from the South to their constituents, I firmly believe that our farmers would have benefited as much in the sale of their grain as were the Southern farmers in the sale of their cotton.

The principles of the sub-treasury bill upon which the organized farmers of the West and South were united twenty-five years ago, was proven thoroughly sound and beneficial in 1915, in so far as they were applied.

If the farmers of the nation will organize as earnestly, and work as sincerely, as have the farmers of the South, we will make the experiment permanent, and complete it, so that it will apply to all of the non-perishable products of labor, as well as of the farm.

THE WORLD'S BANKER. THE WORLD'S CREDITOR. WORLD'S CONTROL.

Like Alexander the Great, they are seeking more worlds to conquer.

Emboldened by their success in 1907, and their endorsement in the elections of 1908-10-12-14, the House of Morgan, feeling secure in their control of American industry, promptly took advantage of the war in Europe to extend their tentacles to include all of the world—to become THE WORLD'S BANKER.

The policy of their special representatives—the Federal Reserve Board—is, then, concerned more in preparing for this world extension and control than for home development.

To accomplish their purpose the two main factors to develop are:

First: To loan to, or in foreign countries a sufficient amount of their credit—not money, just credit—and making the obligations payable in American gold coin of the present standard, weight and fineness.

Second: To secure a monopoly of American gold coin, and have it stored in their own vaults.

I have dealt with this quite fully, so will not need to repeat. The principle will apply as fully to foreign loans as to domestic loans and obligations.

They are melting and putting into bars all foreign coin coming to this country.

The amount of obligations payable in American gold coin is incalculable, or incomprehensible to the average mind; and the concentration of gold in their control, rapid beyond belief.

The Policy of Control.

The plan was that of Paul M. Warburg, but Geo. M. Reynolds, Vice President of the National Bankers' Association, was selected as the advocate to appear

before the state bankers associations. The addresses were specially for the banking fraternity, and not public, hence freer from what is generally termed "bunk."

I quote from his Dallas, Tex., address of May 16, 1911, p. 17:

"However, it is believed by those who are familiar with the plan that in time this association will hold the major portion of the lawful money of the banks of the United States, as under the operation of the plan it will not be necessary for the banks to carry in their vaults an amount greater than their needs for counter use."

First annual report Federal Reserve Board, page 7:

"The Board was also, however, firmly of the opinion that in undertaking thus early to establish the Federal Reserve banks it would be necessary to enlist the hearty co-operation of all the member banks in two matters which were deemed of fundamental importance: (1) Payment by the member banks in gold out of their own vaults of the reserves they were required to contribute to the new banks, thus diffusing the burden of providing the cash resources of the Federal Reserve Banks."

This is emphasized again on page 9, and also in a circular, No. 10, issued October 28th. This was to try to prevent the transfer of reserves then held in the large reserve banks. They wanted it out of the gold held in the member banks' own vaults. They were sure of the other, and wanted all the gold.

We will now quote from the author of the plan, Paul M. Warburg's address in Minneapolis at the conference of the Governors of the Federal Reserve banks, the inner circle to whom he could talk frankly, October 22, 1915:

"It is to your interest to see the Federal Reserve banks as strong as they possibly can be. It staggers the imagination to think what the future may have in store for the development of American banking. With

Europe's foremost financial powers limited to their own field, with the United States turned into a creditor nation of all the world, the boundaries of the field that lies open for us are determined only by our power of safe expansion.

"The scope of our banking facilities will ultimately be limited by the amount of gold that we can muster as the foundation of our banking and credit structure. Gold that is carried in the pockets of the people, gold that accumulates as excess reserves in the member banks' vaults, does not afford the maximum service that the country is entitled to expect.

"Excess balances and idle gold should accumulate in the Federal Reserve banks. They should not control \$300,000,000 of gold, as they do now, or \$450,000,000, as they will another year, but they should control a billion or two of gold. The stronger the Federal Reserve banks become the stronger will be the country and the greater its chance to fulfill with safety and efficiency the functions of a world banker."

The foregoing is very ably and plausibly put.

"IT IS TO YOUR INTEREST to see the Federal Reserve banks as strong as they possibly can be." "For the good of all"? NO. That you, the inner circle, may levy tribute on the labor of the world as well as that of the United States.

"It staggers the imagination to think what the future has in store"—for us, for the interests we represent, when we are in position to tax the world's labor.

"With the United States turned into a creditor nation of all the world." What jingo nonsense! The United States will not be a creditor nation. It will not loan one dollar to any foreign country, and will not collect one cent of tribute for itself.

We have through the Federal Reserve system and law "taken the government out of the banking business," and delegated all of its power of issue and control to the House of Morgan, as per the plan of this

same Mr. Warburg. They can issue, or retire; contract, or expand; hoard, or loan; increase or lower interest rates at will; ignore or violate our laws with impunity; encourage industry in which they are partners, and discourage industry where they are not; tax American labor, that they may exploit foreign labor.

All this they have the power to do now, are doing, and are rapidly extending that power.

They will not permit the issue of any more lawful money by the government, so long as they continue to control the government.

They can issue to themselves all the currency they need, and make them obligations of the government, without contributing one cent to the government, in interest or tax.

James A. Farrell, President of the United States Steel Corporation and Chairman of the National Foreign Trade Council at New Orleans, January 27th, 1916, before the National Foreign Trade convention said:

"Until the United States begins to finance the needs of those growing countries to which it desires to increase its exports the title of world banker would not pass to the Western Hemisphere.

"Foreign investment is a commercial preparedness measure, a source of protection for the whole industrial fabric of our country should the world recede to political-commercial policies of trade restrictions.

"Whatever may be the nature of the competition, our manufacturers will have to meet after the war, it would not be safe to conclude that would be less intense or less effective than heretofore. If it be handicapped by the scarcity and dearness of money it will be stimulated by the pressure of dire necessity."

I wonder if American labor fully realizes the meaning of that address, with all it means to American labor!

Between the lines it is very easy to see what this great captain of industry sees. If after the war, foreign nations "recède to policies of trade restrictions," protective tariffs, etc., then we, the American manufacturers must make our investments in those countries, to escape those restrictions. American labor is not taken into consideration.

"Foreign investment is a commercial preparedness measure."

The more American money that is invested abroad, the dearer will be money at home and higher rates of interest.

Then what is the remedy? More money and lower interest rates? No.

If we are "handicapped by the scarcity and dear-ness of money it will be STIMULATED BY THE PRESSURE OF DIRE NECESSITY."

"Dire necessity" will compel American labor to work for less compensation.

That is the natural, logical reasoning of private monopoly.

Then comes the appeal for all the gold in the country to be rushed in to the Federal Reserve vaults, that the House of Morgan can the more completely and promptly control, for their own private gain.

"Gold in the pockets of the people, or in the member banks' vaults" cannot be invested in Europe by and for the inner circle, and hence does not do the "maximum of service" for our new Sovereign.

In the great world's war, the government appealed to the loyalty and patriotism of the people to aid the mother country, or the fatherland, with their savings, to save their country from foreign aggression and they responded, accepting of government legal tender paper money for current use.

John Law and the Mississippi Bubble Outdone.

Our new Sovereign makes an urgent appeal to our people to give up their pocket pieces, their little hoards

of savings, the business men their lawful money; and bankers to promptly give up their gold reserves to the Federal Reserve banks, that they may "become the stronger to fulfill with safety and efficiency the functions of a world's banker," for the private profit of a group of selfish, unpatriotic exploiters.

I know of no parallel in the world's history of even a semi-civilized nation.

Whose Money is to Be Used?

Whose money and credits are to be used for this foreign development and exploitation? Your individual savings; your deposits in your local banks, on whom they will bring pressure to bear to forward the same to the Federal Reserve banks, controlled by the Federal Reserve Board, and in turn controlled absolutely by the House of Morgan.

The peasants, the mechanics, business men and bankers of Europe receive in exchange for their savings government money; what will you receive?

Not even Federal Reserve bank notes, obligations of the government, which would make them as good as the government itself, if they had been made a legal tender. All you will get is credit on their bank ledgers.

Is the foregoing an exaggeration?

I have quoted from the official report of the Federal Reserve Board, Mr. Warburg's plea to all the Federal Reserve Banks. I will now quote briefly from the press report of an address of Mr. Warburg to the New York State Bankers' association June 9, 1916:

"He recommended that all republics of the continent adopt a uniform monetary standard on the basis of a gold coin equivalent to one-fifth of an American dollar."

Note.—Put all of Central and South America on a gold standard, something they will not have, but can borrow or buy from Morgan & Co. if they will pay the price.

"Mr. Warburg warned against the practice of pyramiding reserves and of considering so-called excess reserves the basis for loan expansion."

Note.—It is against their policy to loan money, just book credit.

"The process of absorption of our securities returning from abroad should be conducted on such a basis and scope as to turn the individual depositor into an investor, so as to free our gold reserves rather than increase loans on an enlarged floating supply of securities."

Note.—J. P. Morgan has been appointed the agent of Great Britain to negotiate and handle the American securities owned or held by British subjects, and which the British government is forcing into its treasury by a super-income tax. To force investments, will help Morgan to negotiate and leave more free gold for foreign exploitation.

The news report closes with this paragraph:

"Wise statesmanship to my mind, therefore, would indicate that everything should be done by the federal reserve system and by all the banks that are interested in our strength to watch carefully further expansion at this time, and to accumulate the floating gold supply in the hands of the Federal Reserve banks so as to enable them when the time comes, if necessary, to spare large sums without thereby crippling their lending power."

Note.—June is the month when the banks of the West and Northwest must begin preparation for the moving of our crops. Perhaps I should now say, that was the custom before the enactment of the Federal Reserve Act. Then the policy of contraction, practiced in 1915 (see page 39), may be considered the permanent policy of the Federal Reserve Board.

A great expansion of products, the crop of 1916, is to be exchanged, is to be met by a great contraction of the medium of exchange; with the inevitable result—a sacrifice of the things to be exchanged.

Well, that is the logical position for men to take, whose only aim is private profit. They have the power, and intend to use it.

"To accumulate the floating gold supply in the hands of the Federal Reserve banks, so as to enable them," etc. The eight thousand member banks are not to be trusted with the investment of this gold, nor is it good management to hold it in their vaults to meet emergencies, as in the past, or to loan for American development, production or distribution; Messrs. Morgan & Co. want it stored in their own vaults, secure for a grand coup, whether it be for foreign investment, or a premium for gold, as per the CONSPIRACY.

Free (?) American labor has given them that power to use; and they intend using it.

Reserves in National Banks.

The reserves held in the national banks on dates nearest May and December each year for ten years past; legal requirements, and amounts held.

For the eight years prior to the enactment of the Federal Reserve law the average reserve held in excess of legal requirements was \$250,589,000. Usually larger in the spring than in autumn.

The Federal Reserve law was put in operation November 16, 1914; now mark the change. March 4, 1914, the excess reserve was \$302,177,000 and on December when there was greatest need for money to move the crop, the excess reserves had increased to \$549,914,000.

By May 15, 1915, in face of an unusual increased demand for manufacturing, they had increased to \$727,343,000, and December 31, with an enormous crop at good prices to move, the excess reserves had actually increased to \$876,082,647. That is, they had hoarded that vast amount when a very much larger amount was needed on account of the great increased demand.

Total Reserves—Where Were They?

The total money in the country was \$4,401,988,337

In other than national
banks, June 30th ..\$599,945,292

Gold held in the treas-
ury 215,242,005

In Federal Reserve
banks 345,260,000

Federal Reserve agents 202,351,712

In national banks2,046,256,000

\$3,409,055,010

Leaving in circulation less than one-
fourth, or\$992,833,327

A remarkable concentration in less than fourteen months after the organization of the Federal Reserve system.

Concentration of Gold.

The rapidity with which gold is being concentrated in the vaults of the Federal Reserve system is shown in the report of the Federal Reserve Board of date December 31, 1915:

“The amount of gold held by the Reserve agents increased from 12.5 millions at the end of 1914 to 70.6 about the middle of 1915 and and 197.4 millions at the close of the year. The increase for the year in the total gold reserves of the system was over 301 million dollars, the larger portion of which represents the gain in the Reserve agents’ gold holdings.”

Concentration in New York.

“Of the total gold reported at the end of the present year, 406.5 millions or nearly 75 per cent are held in the banks, or in the reserve agents’ vaults, while 135.9 millions are either in the gold settlement or in the gold redemption funds at Washington.”

"About one-half of the system's gold is held by the New York bank and its reserve agent, less than 7.5 per cent by Chicago, less than 6 per cent each by Cleveland and Richmond, over 5 per cent by Boston, while the remaining 25 per cent is distributed among seven banks and reserve agents."

No Desire to Issue Currency.

For 214.1 millions of circulation, the Federal Reserve agents hold 197.5 millions of gold and 16.7 millions of paper."

They could issue two and a half times as much currency, or \$505,500,000. They had issued \$214,125,000. What better evidence do we need, that it is their credit they want to loan, and not money, or even currency.

Agriculture Recognized (?)

"Agriculture and live stock paper in the hands of the banks aggregate at present over four million dollars, and constitute 7.4 per cent of the entire bill holdings."

It is safe to say that very little if any of that was loaned to a single practical operative farmer. It is called agricultural paper, because loaned on warehouse receipts, of agricultural products stored. What little was secured in that line was only after a strong effort by the Secretary of the Treasury to aid the cotton growers to tide over an unexpected emergency. It might perhaps be called a forced loan, which will not be repeated. The Secretary loaned \$15,000,000 in gold to the three Southern Reserve banks, and all they loaned on commodity paper was \$3,548,293, which would leave only half a million for stored grain, and you may be sure that that was not to any farmer, but to the grain speculators.

"About 77 per cent of all acceptances on hand are credited to the three Eastern seaboard banks, and nearly 9 per cent to Chicago."

These are the two per cent loans to encourage foreign trade.

Eighty-six per cent for the four banks, and sixteen per cent for the rest of the country. It is not hard to note the trend.

Legislative Preparedness.

You will now readily see the advantage of legislative preparedness so long in advance, in taking the government out of the coining, issuing, and banking business; the substitution of currency for lawful money; and the demonetization of lawful money by decoinage.

I will not repeat, just refer you back to "Our Unit and Standard of Value," and you will be able to read that chapter with a new light. It is so much easier for them to secure control of the money of the country, when they can stop the supply, and destroy for the use of the people so vast an amount of the money previously provided, and that without any loss to the system responsible for its destruction.

A Wonderful Lesson in Efficiency.

To place the exception clause in the greenbacks.

To discontinue the coinage of the legal tender silver dollar.

To substitute the silver certificate for the silver dollar.

To make the silver certificate money for the banker but not for the people.

To limit the legal tender quality of the minor silver coin.

Issuing gold certificates for gold coin and bullion, and making them money for the bankers, but not for the people.

Converting gold coin into bullion, with provision for use as money for the bankers, but not for the people.

The discontinuance of the issue of national bank notes.

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The retirement of national bank notes.

The payment of a premium for retiring national bank notes.

The practical discontinuance of coinage of gold.

Every change made under a false pretense, that it was in the interest of the people, and that all of these many kinds of currency was in fact money.

The products to be exchanged are increasing by leaps and bounds, and our money medium of exchange decreasing faster than our products are increasing.

We are demonetizing by decoinage twelve dollars of gold coin to the one dollar coined.

We have retired from circulation, permanently, two dollars of national bank notes to one of Federal Reserve bank notes issued.

Since January 1, 1916, to June 1, we have withdrawn from circulation of national bank notes \$22,658,035 and instead of replacing this by Federal Reserve notes we have withdrawn from circulation \$29,785,950, a contraction of currency from these two sources of \$52,443,985 in five months.

The government has not only ceased to issue paper money, but is rapidly retiring it and has practically discontinued the coinage of money. The House of Morgan has a "clear track" for a more profitable control of American labor than if they owned the physical body of labor; all secured legally by the votes of the independent (?) American citizenship.

It is surely time to reverse the legislative engine. What do you think?

WILL INTEREST RATES BE HIGHER.

What impression was intended to be made on the public mind by the advocates of financial reform?

What influenced you to support the Federal Reserve bank system?

Was it not that the change would give us a financial system freed from private monopoly and controlled wholly by the government, in the interest of the whole people, or to repeat the statement of the Federal Reserve Board, "A public trust, for the common welfare—for the good of all."

To the average mind that meant lower, steadier, more uniform rates of interest, controlled by the government, in the interest of the people, the whole people, to facilitate exchange and prevent extortion.

A great play was made on government control; take control away from Wall Street, etc.

What other meaning could be taken from President Taft's appeal to the Governors? (See p. 147.)

Or what did President Wilson mean? (See pp. 152-154.)

After sixteen months of operation, here comes Messrs. Rich and Wold of the Minneapolis Federal Reserve bank, who say: "The view that the Federal Reserve bank is to produce cheap money is erroneous; such a purpose has never been seriously considered."

Messrs. Rich and Wold state now what was the real intention and is the actual practice of all of the Federal Reserve banks, the Federal Reserve Board, and the whole system.

Now it is evident from the foregoing, that either one of two things must be true; and either one is very unpleasant to contemplate. President Taft, President Wilson, and their co-workers were either wholly ignorant of the intent, or purpose, or contents of the Federal Reserve bank plan and the bill as presented,

and enacted, or they were guilty of deliberately misrepresenting, and trying to deceive the people.

Of this deception they are plainly accused by Messrs. Rich, Wold and Warburg, and the whole system in official statements and actual practice since the system was put in operation.

What have they done, and what are they doing to make amends, or to punish the betrayers of the people?

Report of the New York Federal Reserve bank, page 158, second annual report:

"In the belief that a period of easy money was at hand, the directors of the Reserve bank adopted the policy of keeping its rediscount rates slightly above the market rates for commercial paper, so that, unless member banks really needed them, its resources, most of which had hitherto been kept in the vaults of the member banks, should not be forced upon a market already over supplied with funds."

Federal Reserve Board, page 6: "Money rates have been unprecedentedly low, and any attempt of the Federal Reserve banks to attract business by further reduction of rates might only have produced a further reduction of rates and increased the danger of inflation of credit without, at the same time, bringing additional business to the Federal Reserve banks."

Where were the rates of interest so very low during 1914-15?

Foreign traders, Eastern brokers (gamblers), and Western speculators, in whose business ventures the men who control were personally interested.

Who will be benefited "when higher rates for money again prevail?

I will place another witness on the stand: Mr. H. R. Lyon, president of the Scandinavian National Bank of Minneapolis in a review of the May, 1916, statement of the Minneapolis banks:

"Our loans went up \$600,000, and the demand for money is getting better.

"There is a staggering amount of money in the country. This naturally tends to lower the rate of

interest, 4 to 6 per cent being the rule now with a vast quantity of 4 per cent paper being handled.

"The banks are in splendid condition, although they aren't making money as fast as they would if the demand strengthened [interest rates increased].

"Bankers are viewing peace rumors with great hope of their proving correct. If the war ended tomorrow, bankers in the United States would reap their fortunes over night, for Europe will want all the capital she can get. American bankers aren't going to show the least hesitancy in giving it to them either and the rate will be high."

In their exuberance of hope, they will occasionally "let the cat out of the bag." "There's a staggering amount of money in the country,"

While as a matter of fact, the amount of money and currency in the country increased during the year (July 1st, 1916) by \$174,000,000, almost all from importation of gold, the amount of lawful money in circulation increased only \$42,000,000.

That imported gold, with much more in addition, is being decoined, demonetized and stored to ship back to Europe very quickly after the close of the war.

Law of Supply and Demand.

"Where interest rates are very low it is safe to assume that not only banking resources, but capital as well, are temporarily at least in excess of the local requirements, and where rates are very high the reverse may fairly be assumed to be true."

Note.—"Where interest rates are very low", the system can now very promptly raise them to a satisfactory rate. There will be no more competition amongst the bankers. The Federal Reserve Board will attend to that.

"Where interest rates are very high." Pshaw! Whoever heard of the bankers trying to remedy that? (See page 24).

As to law of supply and demand, see page 48.

Mr. Lyon states a very important, far-reaching fact.

The American bankers' interest in world peace is that it will open up a new avenue for investment of American money in Europe, at higher rates of interest and the American banker will not "show the least hesitancy in giving it to them." Whose money? Why, your deposits.

That means that the American borrower will have to pay higher rates of interest. In other words the American producer will be sacrificed and will have to compete with the impoverished European producer, for the use of our American money, issued to our Federal Reserve banks free of interest or tax.

"The discount rate of the Minneapolis Reserve bank runs from one-half to one per cent higher than the rates of other Reserve banks." * * * "The fact that the Minneapolis rate is higher is indicative of a healthier financial status in the Northwest."

Note.—For whom does it indicate a healthier status?

The man who pays the higher rate, or the bank that receives it?

The perjured, law violating bankers to whom the Comptroller of the Currency referred (see page 24-5-6) must have been extremely healthy; but how about the poor widow who paid those extortionate rates?

Health for the banker means misery for the borrower, and always will. It is very absurd to claim that the higher the rate of interest the producer pays, the more certainly is his prosperity assured.

"The view that the Federal Reserve bank is to produce cheaper money is erroneous, such a purpose has never been seriously contemplated."

It is a trite but effective answer to such an argument that "money is worth what it is worth."

Note.—So is a postage stamp. Both the postage stamp and money are issued, or used to be, before the passage of the Federal Reserve Act, by the same government and for the same purpose of serving the public needs of exchange.

Who ever heard of the postage stamp varying in price because of increased, or decreased demand? The sole difference is in the administration.

The postoffice is "administered as a public trust for the common welfare—for the good of all"; without private profit, and the price is the same to all, in all parts of the United States, all the time.

The alleged reason for urging the member banks was to mobilize the resources in the Reserve banks, to enable them to supply the credit and currency, to the member banks, as needed by their customers.

Since the organization of the Federal Reserve banks, they have made every effort possible, by persuasion and mild coercion, to gather in the gold of the member banks' reserves. The member banks were still holding back too much, and Mr. Warburg was sent out with another persuader. He was not talking to the public. He was talking to the bankers. To the Governors and prominent representatives of the Federal Reserve banks at Minneapolis October 22 1915:

"I shall not tire you by enumerating the benefits of the system. I believe that those who think already know them; while those who do not think will learn them by actual experience. [Yes, the victims will learn, when too late].

"That will be conspicuously the case when excess reserves are next reduced and when higher rates for money again prevail."

The constant and persistent efforts by the Federal Reserve Board and Federal Reserve banks to persuade and coerce the member banks to send in their gold reserves, has been a puzzle to many. The member banks were supposed to own and control the Reserve banks.

And the public servants tell the employer what to do. Be good now, send in your reserves to us. We need them to lend in Europe; that will force interest rates up here, and you do not need to lend money, in fact there will not be any money to lend. All that we have not loaned in Europe will be in our vaults,

and we will not lend it, so long as we can loan our credit.

That is the thing for you to do. Lend your credit and we in turn will lend you ours, if you need it.

The applicant who wants to borrow money is a crank; let him worry.

Loan only to those who will accept of a credit on your books, and a check book. Then we will help you put up the rate of interest, and everybody will be prosperous.

In the St. Paul press dispatches of date June 16th, we find:

"Bank loans in St. Paul are at the highest point in their history and a continuation of the present prosperity in business is predicted by the leading bankers. . . . The next call is expected to show the banks have held their own, and that the loans will exceed anything ever known. As a result of the increased demand for money, the higher rates announced several days ago will likely prevail for a long time."

I note as this goes to press the following confirmation of my claim comes to hand:

"Reserve Board sets new discount rates.

"Washington, July 13.—An increase from four to four and a half per cent on thirty to sixty day commercial paper for the Chicago district was announced today by the Federal Reserve Board, and new rates were set for the Kansas City district of three and four per cent on commodity paper, three and a half to four per cent on trade acceptances and four to four and a half per cent on ten day paper."

E. W. Decker.

E. W. Decker, President of the Northwestern National Bank of Minneapolis, June, 1916: "It is apparent that large loans to European nations will again be made. Russia is to borrow \$50,000,000. There will be no hesitancy on the part of financiers here in subscribing to the loans as every fighting nation is regarded as being 'good' for vastly larger amounts than

they have already borrowed. As a matter of fact, they can have all they want.

"The East is pleased over the result at Chicago. Hughes has come up to the preparedness mark as strong as could be desired.

"Money conditions are looking up. Rates are already stiffening and have gone fully half of one per cent higher. They will stand up right along, at least through the autumn."

"The East," by which he means the House of Morgan, is so well pleased with the nomination of Hughes, that they are promptly boosting the rate of interest. The nomination of President Wilson is assured, and they feel secure for another four years.

Again he is speaking for the Twin City bankers: "They will not hesitate to loan the Allies of Europe all they want. They are good for vastly larger amounts than they have already borrowed.

Another \$100,000,000 to France is just being floated.

A THRIFT CAMPAIGN

The National Bankers' Association, having secured all the legislation needed to give them control of the money of the country, and their Federal Reserve Board having carried out the program, and fixed the policy for a concentration of the currency so as to make a dearer dollar, and also having fixed the policy for higher interest rates, and their faithful Congress having permanently shelved any prospect of long time land loan investments, so long as they are in control, realize fully that it will require more labor and labor products to buy the dollar, and greater economy and saving to enable the debtor to pay the increased interest, they must have, or think they must.

With their usual efficiency, and this is worthy of a Warburg, the National Bankers Association, having settled the rural credits matter, have now decided that the agricultural committee shall turn their attention to a nation-wide campaign to teach the farmers thrift. J. H. Rich, of Minneapolis, has opened the campaign in North Dakota and an agent of the National Bankers' Association is organizing South Dakota.

This is well timed for the farmer in debt will have to not only work harder, but also live more economically if that interest is to be paid with cheaper products.

The South Dakota Bankers' Association at their late annual meeting the latter part of June was very much interested. The Secretary in reporting for the agricultural committee, said:

"While we still desire and will aid in this essential work [better farming, greater production] we suggest that details be left to those who have made a life study of the subject and that we as bankers consider more especially better banking and thrift. Waste is the crime of today. The greatest service the bankers can perform at this time is to impress upon every individual the virtue of thrift."

And accordingly the Association passed the following resolutions:

"Resolved, Whereas, the need for inculcating the thrift habit to maintain American prosperity is obvious, and

Whereas, the most effective method of teaching and promoting thrift is through a nation-wide effort being made, and

Whereas, the American Bankers' Association is conducting a nation-wide thrift campaign furnishing concrete plans of action; therefore, be it

Resolved, that the South Dakota Bankers' Association heartily endorses the campaign of the American Bankers' Association and in every way endeavor to support the movement."

Of course the farmer, whether in or out of debt, should encourage this great educational campaign in favor of thrift. He will need it.

Example is better than precept; the bankers have given the precept, now for the example. The next time you go to town, better take a rainy day so that you will not have to hurry home, and be sure to take your wife with you; have something as an excuse to call at the bankers' homes, all of them, nothing better perhaps than to get some ideas of thrift and economy, and on your way home decide that in future you will not build a more comfortable home than the banker, nor dress any better than the banker's family, nor drive a finer automobile, trade off your limousine for a Ford; in fact, that you will pattern after the bankers and be content to live, dress and drive as economically as they do.

Remember "Waste is the crime of today"; thrift the greatest virtue. You will have to stop the one and practice the other to meet the higher rates of interest decreed to insure "better banking."

NATIONAL BANKS—MEMBER BANKS

The national banks were made to believe that the Federal Reserve bank system was intended to be organized by them for their own special interest, and controlled by them, for themselves.

Mr. Reynolds in his Sioux Falls address said: "The association will be nothing more nor less than a voluntary association of bankers, a voluntary association of bankers of the United States, just as this is a voluntary association of bankers of South Dakota."

Page 55, it was to be made impossible for "any clique of men to control it."

The Aidrich plan starts out with the caption "A BANK FOR THE PEOPLE," and then on page 19 Mr. Reynolds says: "Let it be reiterated again that the Reserve Association is primarily a bank of banks."

Query. Who are the people?

In introducing the revised bill, Senator Owen said: "All of these considerations urge that the Federal Reserve banks should be banks for banks, bankers' banks."

Mr. Warburg, speaking for the Federal Reserve Board, to bankers, said: "The Federal Reserve bank is the member banks' bank; it is your bank, your fire engine."

After outlining the plan to secure control by the country banks Mr. Reynolds said (page 55): "You will agree with me that two at least of the great objections to any centralized organization has been removed. First, this ingenious means of selecting these members is an assurance against political intrigue. And second, it gives assurance that none of the large interests of the country would find it possible to have control of the institution."

As usual, and in accord with their invariable custom, when the law was enacted, it was the very oppo-

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site of what was promised, and for this Mr. Reynolds more than any other man was responsible.

Instead of being a voluntary association it was made compulsory, under penalty of forfeiture of charter.

The national banks were also deprived of their power to issue bank notes on government bond or other security. Here again gross deception was practiced, in that they were led to believe that one of the chief functions of the Federal Reserve bank was to issue to them Federal Reserve bank notes, on commercial paper, endorsed by the member bank; but the Act does not provide that they "SHALL." It is MAY.

The Aldrich plan provided (Sec. 30): "The Reserve Association shall issue, on the terms herein provided, its own notes as fast as the outstanding notes secured by such bond so held shall be presented for redemption."

Mr. Reynolds approved of this provision and said: "There is also considerable force in the suggestion that the notes issued to replace the outstanding bank notes should be free from all taxation."

There was a choice tidbit for the national bankers, the saving of the tax of one-half of one per cent, but even that saving does not now inure to the national banks as promised, but to the Federal Reserve banks, and instead of the one-half of one per cent tax paid for national bank notes, the member banks have to pay from four to six per cent for Federal Reserve bank notes.

They are so used to practicing deception to secure legislation that it has become a fixed habit, and they practice it on their allies just as quickly as on any one else.

It has been said by someone that "there is honor among thieves."

If that be true, then the inner circle, the men who control the Federal Reserve system, have demonstrated beyond successful contradiction, that they are not thieves.

The first paragraph of Section 16 is full of "shalls," but the second paragraph begins to hedge with "mays," and the control by the country promised by Mr. Reynolds passes to the very interests that were to be controlled. The national bankers were deprived completely of their independence and cannot withdraw as independent national banks.

They are rapidly losing their gold and lawful money, and still the Federal Reserve banks are not satisfied; they want all in, before the close of the war in Europe, that they may "make their fortunes over night." Not the member banks. Oh, no, Mr. Warburg says, "They [the Federal Reserve banks] should control a billion or two of gold. The stronger the Federal Reserve banks become, the stronger will be the country and the greater its chance to fulfill with safety and efficiency the functions of a world banker."

As the country has been taken out of the banking business by the enactment of the Federal Reserve laws, how can it become the world's banker?

Standardization.

The regulations for eligibility of rediscount paper as contained in circular No. 13 would seem to have been for the special purpose of discouraging rediscounts, and the issue of Federal Reserve notes.

It is not a question of security at all. Loans for improvements, or investments of any kind are strictly eliminated, no matter how good the security.

Page 183: "The Federal Reserve Board proposes, however, to prescribe the following basic principles for the guidance of Federal Reserve banks and member banks." The public servant becomes an exacting master.

Quotation from circular of Federal Reserve Board, page 184, first annual report: "The required statement as outlined above should be signed under oath and should contain a short general description of the character of the business, the balance sheet, and the profit and loss account. Assets should be divided into

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permanent or fixed investments, slow assets, and quick assets. On the liability side should be shown capital, long term loans, and short term loans. Short term loans should be in proper proportion to quick assets, and the statement should contain satisfactory evidence that short term paper is not being sold against permanent or slow investments. The statement should furthermore show the maximum aggregate amount up to which the concern supplying this paper expects to borrow on short credit or sale of its paper, and the concern giving the statement should obligate itself to obtain the member banks' consent before exceeding the agreed limit. And the member bank indorsing must also affirm in a solemn and binding declaration."

Now one would naturally think that the foregoing was stringent enough to protect the most exacting creditor. But who is this creditor?

Why, your public servants, chartered, and authorized by you to handle your deposits, which you hand in voluntarily, without any guarantee, or instructions whatever, now when it comes your turn to borrow, presto; a great change. Your wealth, your business ability, your personal character, counts for nothing. Your statements are worthless; they must be signed under oath, so that you will be criminally liable for any mistake, no matter how slight, or unintentional. Your oath is not sufficient, your statements must be backed by the sworn statement of a certified accountant, and even that is not sufficient; the member bank must also "solemnly affirm," etc.

Character, industry, honor, property, none of these count.

The Federal Reserve Board will not trust the Federal Reserve banks.

The Federal Reserve banks will not trust the member banks.

The member banks will not trust their customers.

Every statement must be verified under oath, and backed by the verified statement of a public accountant, before you can secure the use of a public utility,

from your public servants, for the purpose of exchange and not at all for production or development.

That is the declared official policy of the system and the men to whom you have delegated the full constitutional power "to coin money and regulate the value thereof"; to decoin or demonetize the money already coined; to substitute their bank credit for government money; and for their own private gain, tax American labor to the limit of endurance for its use in exchanging labor and labor products.

Is it possible to have independent development, production and distribution under such a system?

Think it over before you indulge in profanity.

It has all been done legally, by and with the consent of an overwhelming majority of independent (?) American citizens. ARE YOU ONE OF THEM?

A Peculiar Custom.

Under this rigid system of control of credits has grown up what would seem to the unsophisticated layman a peculiar custom.

Preference is given to the borrower who keeps a good checking account in the bank. The borrower is expected to keep at least 25 per cent of what he borrows to his credit in the books of the bank.

He is paying interest on a credit that he does not expect to use, and is not expected to use. This is deemed necessary to keep his credit good at the bank.

It is good business—for the bank—as it increases their interest 25 per cent, but how about the man who borrows and pays interest on credit that he does not need and will not use?

Suppose the farmer bought 25 per cent more machinery, seed and twine than he expected to use, or the manufacturer bought 25 per cent more raw material than he expected to use; what would the paternal banker think of it as a good business proposition?

It certainly would not pass the standard for rediscount paper with a Federal Reserve Bank as per Circular No. 13, just quoted.

OUR STATE BANKS.

The state banks have been a very important factor in our banking system. They were able to organize with a smaller capital, in the smaller communities. All that seemed necessary was for some one to hang out the sign BANK, and the people would hand in the deposits with which to do business.

The number voluntarily reporting to the Comptroller of the Currency in 1915 was 14,598, a net increase during the year of 86.

The total capital was \$503,985,319.

The total number of national banks at same date was 7,805 with a capital of \$1,068,519,000.

The state banks being chartered by the several states were independent of the national banking system, and in competition with them.

This was possible, so long as the federal government exercised its constitutional power to coin and issue money.

Section 2 of the Aldrich plan provided that "only banks of the classes hereinafter provided for may subscribe to the capital stock of the Reserve Association."

The state banks were a very important body, and their political influence was needed to secure the enactment of the law.

Mr. Reynolds was put forward to make the bid, and he painted a very attractive picture of the great advantages of the system, and also the imminent danger to the fraternity if it were not enacted.

The joining the Reserve Association was to be entirely voluntary.

Everything to gain, if it looked good, and nothing to lose if unsatisfactory, and they all fell for it.

Mr. Reynolds made the definite statement that "when the law is finally offered it will provide that

state banks shall participate." How was this promise kept?

Section 9 of the Federal Reserve Act uses the word "may" instead of "shall," and leaves it wholly optional with the organization committee of the Federal Reserve Board, and provides: "No applying bank shall be admitted to membership in a Federal Reserve bank unless it possesses a paid-up unimpaired capital sufficient to entitle it to become a national banking association in the place where it is situated. under the provisions of the national banking act."

The Federal Reserve Board provides, Reg. M., June 7, 1915, in part: "(2) It must have a minimum paid-up unimpaired capital stock as follows:

"In cities or towns not exceeding 3,000 inhabitants \$25,000.

"In cities or towns exceeding 3,000 but not exceeding 6,000 inhabitants, \$50,000.

"In cities or towns exceeding 6,000 but not exceeding 50,000 inhabitants, \$100,000.

"In cities exceeding 50,000 inhabitants, \$200,000."

The other regulations are very rigid. They must absolutely surrender their independence to the Federal Reserve Board.

Section 9 at once rules out more than 6,000 state banks, with less than \$25,000 capital and a very large majority of the balance because of the rapidly graduated increase of capital required.

First Annual Report, page 20, says: "Those state institutions which have already been admitted to the system have entered upon the understanding that they are to accept any regulations the Board may make regarding the conduct of the business of member banks."

Is it any wonder that up to December 31, 1915, only thirty-two state and savings banks had joined the Association.

Had it been made voluntary for the national banks as was promised by Mr. Reynolds, I doubt if the proportion of national banks joining the Association

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would have been much greater than that of the state banks, which was at the beginning of 1916 just about one to 455.

It is not surprising that the independent state banks refuse to surrender their independence.

Nor is it surprising that the conspirators are growing impatient.

Private Monopoly Insists on One System

Private monopoly will not tolerate opposition, competition, or independence. They demand strict obedience.

Their plan provides for one system only, and that a bank ledger credit system, under their supreme, autocratic control.

Federal Reserve Board Circular No. 14: "A unified banking system, embracing in its membership the well managed banks of the country, small and large, state and national, is the aim of the Federal Reserve Act. There can be but one American credit system of nation-wide extent, and it will fall short of satisfying the business judgment and expectation of the country and fail of attaining its full potentialities if it rests upon an incomplete foundation and leaves out of its stockholders any considerable part of the banking strength of the country."

W. P. G. Hardinge, a member of the Board, said at the Waco, Texas, meeting May 15, 1916: "I am violating no confidence when I say that the Federal Reserve Board desires earnestly to have the state banks become members of the Federal Reserve system. The Board feels that the membership of the state institutions is essential to the coordinated banking system that it wishes to establish, and realizes that there can be but one credit system of nation-wide extent."

And he concludes with a strongly veiled threat of an emergency in which they may need aid, but will not receive it.

October 15th, in Minneapolis, Mr. Warburg was much plainer in his persuasion and threats. The sys-

tem that was to prevent panics, and financial troubles is discredited by its sponsors. There is a grave danger unless the state banks that can come in, refuse to do so. As for the 6,000 odd little fellows—let them perish. They are not even good fish bait.

He said in part: "Let me ask those of the state institutions that are proud of their independent standing: Is it quite fair to let your neighbors pay for the expenses of the fire department when, in case of fire, you know you will count on the benefits of the general protection. Let me tell them, at the same time, that insurance companies are generally willing to take risks while applicants are young and conditions serene, but are not very eager to write new insurance when the 'quake' is on." Note.—There never was to be another "quake."

"The thought is often expressed that 'at the time of the next crisis the state banks will come in.' I think it may be safe to say that they will find that many will then come in after the next period of anxiety. This is not meant as a threat, but I am afraid it will be a physical impossibility to take them all in during such a period of stress."

Then, on the confession of the author of the Federal Reserve Act, speaking for the Federal Reserve Board, to Federal Reserve bank officers, the Federal Reserve bank system is a miserable failure and in no sense a protection against "periods of anxiety," "financial stress, "panics and quakes."

To accomplish their aims the panics will come as usual.

Will the State Banks Be Coerced?

Under the present law and system, it is only a question of a very short time when the state banks will be forced out of business by starvation. Their only hope is to help us change the system before it is too late.

The state bank is wholly dependent on the deposits of money by its customers.

The present system means a complete change from money to credit, and is in very rapid development. See page 64.

The plan of the system is to retire all currency, except a small amount of Federal Reserve notes for counter use, and in five months, since February 1st they have contracted the volume by \$42,201,550, or about one-fifth.

To demonetize and retire as much of our lawful money as possible and hoard the balance in their own vaults, for the final climax aimed at. See pages 77, 92 and 123.

Now, how long can state banks do a banking business on a rapidly vanishing volume of money. How can they do banking business on their competitors' ledger credits.

The system will show no mercy to the state banks who refuse to "walk into their parlor."

As will be noted by the quotations, the officers of the Federal Reserve system are discrediting the state banks in a very serious manner.

Casting grave doubts as to their ability to stand the tests that are sure to come, and without help from the system. What effect will such declarations have on the public? What effect was intended?

As an illustration, take the report of the Minneapolis Daily News in its review of the Minneapolis banks' statements for March 7th and May 1st as gathered from such bankers as H. R. Lyon, President of the Scandinavian National, and E. W. Decker of the Northwestern National.

The review reads in part: "A sensational increase in savings banks deposits in Minneapolis amounting to nearly \$700,000 since March 7th, according to bankers, was the outstanding feature of a bank report made to the government today. Deposits in state banks fell off nearly \$800,000, and barely held their own in the national banks."

That is the logical effect of such a campaign as is

being made by the chief officers of the Federal Reserve bank system.

\$800,000 withdrawn from the state banks, to deposit in other banks in one city, in less than two months might not be so very significant if it were not so prominently advertised, but advertised as it was, was sufficient to start a run on the state banks, and shows, in part, what the state banks may expect from the national banks.

Again there seems to be a very general effort to antagonize and interfere in securing state legislation to cripple the lending power of the independent state banks. There will be persecution in the courts. All of these things will give an opportunity of discrediting the stability of the state banks and creating doubt in the minds of their customers.

Another significant sign of their intent to crowd out the state banks is in the recommendations of the Federal Reserve Board for amendments to the Federal Reserve Act, 1915 report, page 22: "Permission should be granted to national banks to establish branch offices within the city, or within the county, in which they are located."

It would not have been safe to have included this in the original bill, as it would have alarmed the smaller national banks and all of the state banks, but now it is perfectly safe and the amendment will be adopted.

This is not only a threat, but an additional means of putting the independent state banks out of business. I do not see how they can for long compete with the branch of a national bank in any small community.

First, they must depend upon the customers' money deposits with which to do business, and as shown we have practically ceased to coin or issue money, and what we have is being rapidly retired, or demonetized. So there will be less and less of money in circulation to deposit in state banks. Second, the state bank cannot loan its credit; it must limit its loans to a certain

percentage of its money deposits, and with a powerful opponent in control of our legislative machinery, they will insist, as they are now doing, that the state banks must keep larger reserves on hand than the national banks need to do.

Third: The national bank branch can do business without money deposits. It can loan the credit of the parent bank, for which it will have to pay neither tax nor interest.

These will be the conditons for competition, as between the state banks and national banks. Without a change it is easy to see the result.

Most of the stockholders in state banks are interested more in other business relations than in banking, but even from the banking standpoint they should unite with us in changing the system.

In fact, so far as personal interest is concerned, it is as one against ten thousand, and the object of this work is to show the ten thousand the danger, and the way out.

SUGGESTIONS FOR COMMERCIAL BANKS.

As the present Federal Reserve bank system was not intended for, and is not being operated for public service, but solely for private profit, the issue should be a repeal of the whole private monopoly system, and replace it with a government system, a real public service system "for the common welfare—for the good of all."

There should be no discrimination as to different sections of the country. The rate of interest should be fixed by a people's Congress, and be uniform in all parts of the nation, as is the case with our postal system.

Why should this public utility, money, at times go begging in New York for two per cent; in Chicago for three; in Minneapolis for four, and at the same time the farmers of the West and South be begging for it at ten to twenty per cent, and charged up to 2,400 per cent?

Why should we penalize the pioneers who go out in the wilderness to carve out new homes by developing the country, to the great advantage of the older settled portions of the country?

It is a very poor way to encourage the development of our millions and billions of acres of yet undeveloped lands.

In organizing for our commercial banking system, we should to some extent use our present political units, as suggested for an investment system, changed to suit the commercial convenience.

I do not see any reason for a new department, with delegated constitutional powers, such as the needlessly expensive Federal Reserve Board and Federal Reserve banks; or the later Land Loan Board for rural credits.

The high priced financiers are those who have shown the ability to make the greatest profits, regardless of the ethics of the transaction. In this case the

private profits would be eliminated. It would be just good, safe, business service, under regular rules established by Congress and state legislatures.

The position would be no more responsible, or require greater ability than is required of city or county treasurers, city postmasters, collectors of customs duty or internal revenue, or receivers of railroads.

For convenience there should be a state bank in each state, in place of the Federal Reserve banks.

The federal government should charge one per cent per annum interest, or tax.

As the Treasury Department would have only about fifty correspondents to deal with, the expense would be comparatively small. The revenue derived from the interest in excess of the expense, should for a time be set apart as a reserve fund, until such time as there was sufficient for all reasonable protection, and thereafter to become a part of the general revenue.

The state bank should also receive one per cent per annum interest. Its business should be similar to that of the Federal Reserve banks, to deal with the local banks. All receipts in excess of the expense of administration should be placed in a reserve fund for protection, until a sufficient amount for all reasonable security had been accumulated, after which in compensation for state guarantee, all excess receipts should be turned in to the general state funds.

The local banks should be banks for deposits as well as loans. Local co-operative banks should be especially encouraged.

As service, rather than profits, would be the aim, they could pay two per per cent for deposits and loan at four per cent.

When they discounted paper with the state bank they would get the money at two per cent, thus leaving a margin of two per cent.

These are simply suggestions, to be changed in accordance with experience; but to start with it would give loans for industrial and commercial purposes for four per cent.

Our independent state banks might be used to begin with, and continued as such, so long as satisfactory.

This would give us a truly American banking system, without private profit, the very best in the world, with a uniform, maximum rate of interest established for commerce, the lowest in the world.

This should be quite satisfactory to the smaller, independent business men and manufacturers, for it is inevitable that the object of the present system being profits, the national (member) banks will follow the example of the head of the House, and insist on a controlling interest in the business they finance with their credit.

This should also meet with the earnest support of those who favor building up a foreign trade, in which our two greatest drawbacks are high rates of interest for the use of money, and excessive rates for transportation as compared with those of our competitors.

A BRIEF SUMMING UP.

Just how an American citizen can read the story of this great conspiracy and not be stirred to action is beyond comprehension. This is where the "red blood" we read so much of should show itself.

The system to enslave the whole labor of the nation was conceived with satanic cunning at a time when the nation was desperately trying to overthrow the chattel slavery of the colored man.

On the sound human theory that "no man was good enough to own the labor of another man" we freed the colored man, and have now transferred the legal power to a few men to control the labor of all our people, by a control of the money of the country.

This control has been accomplished, legally, step by step, with cruel efficiency, under cover, or promoted under false pretense and misrepresentation.

It began in 1862 when a small group of bankers, having cornered the gold of the country, forced the government to discredit its own obligations to make a market for this gold. (See page 211).

In 1886 they substituted a currency, which was money for the bankers, but not for the people. (See page 211.)

In 1873 they began to discredit silver, our original unit and standard of value. (See pages 125, 206-207.)

In 1882 they began substituting currency certificates, which was money for the bankers, but not for the people (p. 74) and continued it. See pages 75 and 208.)

In 1911 they began demonetizing gold by decoinage. (See page 203.)

They are rapidly contracting and retiring both money and currency from circulation to increase the value of the dollar; increase the rate of interest, and force bank credit borrowing, instead of money.

See pages 48, 121, 123, 125.

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They now have the legislation to give them a complete, perfect monopoly of money. See pages 89-90, 93, 117-118.

They are accumulating our gold for foreign investment, immediately after the close of the war "to make their fortunes over night."

This is a premeditated sacrifice of American industry by these selfish, disloyal citizens for their own private gain. See pages 136 to 142.

They are now, and have been in the recent past, giving the preference to foreign investments over domestic investments. See pages 140-141-142.

In any real public service they would be promptly fired.

"Agriculture is being made the special victim of inhuman greed and extortion by national bankers." See pages 24, 176, 163, 215.

Comptroller of the Currency pleads for legislation to enforce our banking laws, but Congress dares not act. See pages 25-26.

Both the Republican and Democratic parties were solemnly pledged to place agriculture on an equal footing with our competitors in foreign countries, and any other business in our own country, and shamefully betrayed the farmer, and in addition set a dangerous trap for him.

See pages 194 to 201 and "Dangerous Trap," page 175.

The conspirators are strictly non-partisan and accomplish their ends under cover by deception, deceit, misrepresentation, corrupt practices, or panics. See pages 91, 120.

One noted exception of frankness by Senator Aldrich at Chicago, and that resulted in the retirement of their great leader. Page 109, 119.

They are no respectors of persons, or official positions.

When a political party, or a public official, accepts of their financial assistance, they are in their toils, and must obey, or be destroyed by exposure. Neither

Congress, the Judiciary, nor Presidents of the United States are exempt.

For proof of recent administrations specially treated of in this book:

For President Roosevelt, see pages 88-89, 95-96, with the climax on page 106, and the finale, the desertion of the Progressive party at the command of Perkins of the House of Morgan.

Of President Taft, see pages 89 and Herrick's tribute, page 198.

For President Wilson, see pages 114-115, 197-198.

There is no parallel in the world's history, where a nation of free citizens have willingly, legally and enthusiastically placed themselves in voluntary servitude to a group of deceitful, unreliable, unworthy, disloyal, selfish oppressors.

The Republican and Democratic parties have held their 1916 national conventions, and each has unanimously "pointed with pride" to the legislation giving the House of Morgan this great monopoly in violation of the spirit of our constitution.

If a man deceives you once it is his fault; if he deceives you a second time, it is your fault. The same should be true of political parties. Both dominant parties have now deceived the American voters twenty-five times (fifty years) in succession and are preparing to do so indefinitely, so long as you support them. Why not?

The Democratic and Republican parties are financed, owned and controlled by private monopoly.

Four revisions of the tariff; two by each, have favored private monopoly.

Tell me in advance of an election what interest, or interests are financing the campaign of an individual, group of individuals, or political party, and I will tell you what their record will be if elected.

They pay no money until assured of service.

They are not publicly known in the transaction, for such publicity would defeat them. In fact they will emphatically, publicly and officially deny such aid.

'As an illustration, recall the official denials before the 1904 presidential election, and the Roosevelt-Harriman correspondence after the election. See pages 95-96.

There was nothing unusual about this episode, except the publication.

In conferring a monopoly of money on the system, they have vied with each other. For the two most important measures, changing to the gold standard, and from government money to bank credits, the Democratic party has the credit. Practically in all else the credit must go to the Republican party. In the past three years it has been non-partisan, almost unanimously.

A vote for any candidate, for any office of either party is a vote to perpetuate monopoly control.

On the theory that "something must be done for the farmer" they unite on a fake rural credit act with a land loan board of five members to govern and control. The organized farmers asked for a representative on the board, and they were ignored.

Served them right. Instead of begging for one representative, they should have demanded a majority of the board.

WE MUST CHANGE THE SYSTEM.

The bi-partisan representative system of government has proven an utter failure for the people, and a complete success for private monopoly.

Then it is up to the people who have suffered to change the system.

Popular government, the initiative, referendum and the recall would give us the opportunity, but we in South Dakota, the first state in the Union to adopt the initiative and referendum, have seen how easily it has been nullified by a political party, controlled by private monopoly, in control of the legislative and judicial machinery of the state.

The Prohibition party is right in claiming that prohibition to be successful must be administered by a government in favor of the principle of prohibition.

The Socialist party is right when they claim that public ownership of public utilities would be a failure

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administered by a government controlled by private monopoly.

What better illustration do we need than the alleged regulation and control of our public highways—our railroads—by a pro-railroad Interstate Commerce Commission; or

The government control of our monetary system by a Federal Reserve Board, controlled by the House of Morgan; or

Private monopoly and trust busting as it has been administered ever since the enactment of the Sherman anti-trust law, by trust controlled officials.

There are several issues large enough and important enough to warrant the organization of a national political party to secure their enactment and enforcement. Some of them can be, and are being gradually and progressively enacted by state legislation, and will be finally and fully solved by national constitutional amendments and legislation.

The one overshadowing issue, that of the private control of the transportation, distribution and exchange of the products of labor cannot be solved by state legislation. It is a purely national problem.

I herewith submit a base which was adopted by the National Farmers' Alliance and Industrial Union twenty-one years ago at Washington, D. C., which is broad enough to cover the whole private monopoly ground, and upon which every independent American citizen should be willing to unite.

"Whenever any public utility or necessity becomes a monopoly in private hands, the community, small or large, should take possession of same by right of eminent domain, paying a just value therefor, and operate same in the interest of the whole community.

"Whatever any community, large or small, can do for the individual members of that community, more economically and efficiently, than the individual members thereof can do for themselves, the community unit should do, whenever a majority of the voting units so decide."

There can be no question as to the fact that our medium of exchange is now controlled absolutely by a private monopoly, charging exorbitant rates of interest.

It is also an incontrovertible fact that any charge for the use of this public utility, in excess of the cost of administration, whether it be for the medium—money—of the transmission of intelligence by mail, wire, wireless, or phone; or for the transportation by rail or water, or in the distribution of the products of labor, is a tax on labor and must be paid by the producer, or consumer, or by both.

The paramount issue then should be to stop this unnecessary and unjust system of taxation and provide a system to be administered without private profit.

Every special privilege, carrying with it the power of taxation, direct or indirect, is at the expense of the whole state, and the more indirect the more expensive.

Where and How Begin.

We must stop the further contraction of money in circulation.

Stop the further demonetization of money by decoinage.

Make every dollar coined, or issued by, or being an obligation of the government, lawful money, a full legal tender for all debts, public or private; in lieu of the present indefensible system of issuing a sham, deceptive pretense for money and which can be used as money by the bankers but not by the people.

Repeal the Federal Reserve bank law and all special privileges connected with the administration of public utilities.

We should provide for a medium of exchange that would respond automatically to demand for use.

We should encourage home development, and discourage foreign investments by American citizens.

We should have a fixed national policy that whenever or wherever any American citizen makes an investment abroad, for the development of a foreign

country, he should look to that country for the protection of that investment.

That used to be international law, and is good common sense.

How to Accomplish.

There is only one way to accomplish this change of system, and that is by a union of all those who are opposed to the private monopoly of public utilities into one National Party with that as the paramount issue.

It is immaterial what the name of the party may be.

The party must be free from any shadow of dependence on, or of being financed or controlled by any beneficiary of special privilege.

It must be openly financed and supported by the people for whose benefit it is intended.

GOOD CITIZENSHIP.

To be a good citizen is not alone that you should be industrious, self-supporting, law-abiding and a good neighbor. You may be all those and yet not a good citizen in so far as the duties you owe yourself and the community you live in.

Definition: "The status in a free state of a person possessing the elective franchise and permitted to take part in legislative and judicial deliberations."

To be a good citizen then, under that definition, would require a careful study and thoughtful investigation of all proposed legislation affecting commodity welfare, that you might safely take an active, intelligent, independent part in all legislative affairs.

If you do not understand a question, it were better to not vote at all, than to vote wrong. Remember, you do not have to vote, as so many good people seem to think: nor do you have to take a choice between two evils. When you do, you stultify yourself, and vote against your judgment, and best interests.

The average citizen has not given the attention he should to this very important duty so vitally affecting his own welfare and that of the community, of which

he is a part. Perhaps, because he did not realize the importance of it, or maybe he was too busy working to make a living, or possibly he placed too much confidence in some of his fellowmen, but in the majority of cases it was just because he had formed a thoughtless bad habit of placing party before principles.

Whatever the reason, this neglect of duty gave an opportunity for a comparatively few men, who understood the folly of partisanship, and the advantage of co-operation, to secure the things they wanted, to organize to secure legislation for their own special interests.

They realized how much more practical it was to own and control the party than be owned by the party.

The first question they ask themselves is: Can we trust the party to do as we want? Have they kept their private pledges to us, in the past? Are they pledged to our present program? Unless they are satisfied on these points, they will not support them. They have succeeded, because they always work and vote for what they want, and in time they get it.

"Imitation is the sincerest flattery"; "Go thou and do likewise."

We cannot expect to have, and never will have, faithful and efficient public service until we apply exactly the same business principles to our public affairs as we do to our private affairs.

We must treat our public employes just as we do our private employes. The fact that they are employed by the community, small or large, should not exempt them from faithful service in accord with the terms of employment.

The legislative positions are, next to the judiciary, the most important, and, as a rule, receive the least attention.

You would not for a moment think of giving an unlimited, irrevocable power of attorney to a stranger, to transact your private business, and yet that is just what you do in your public business, under our present representative system of government.

We give to our legislative employes an irrevocable and unlimited power of attorney for from two to six years, with unlimited power of taxation, direct and indirect. In addition they have, and they exercise, the power of granting public franchises for public service in transportation, distribution and exchange, with power of taxing for service all the traffic will bear. They make public service a private snap.

Why longer tolerate, or permit, this great difference between public and private service? The one is just as much your business as the other.

In the employment of a public servant, for that is just what you do when you elect them, and more especially for a legislative position, the questions you should ask yourselves are:

Has he qualified himself to serve in that capacity as a student of political economy?

Has he shown that he is competent?

Does he represent my principles?

Can I trust him to represent me and my interests?

Business Practice.

What is your practice in your private business affairs?

You wanted to employ a man for the season on your farm. There was Nels and Bob, each of whom you had employed in the past and they had proven to be incompetent, unfaithful and wholly unreliable. Would you choose between them, or would you try a new hand?

Or suppose you are a manufacturer, using up-to-date business methods, as you would have to, to succeed. Would you employ any one who applied for a job, or would you insist on having competent, expert help for the several departments of your factory?

If a member of your family were sick, would you send for a lawyer?

If you wanted an man to run your engine, would you hire a common day laborer?

If you wanted a competent bookkeeper, would you employ a person who could neither read nor write?

Very foolish and absurd questions, you say. Sure, they are; for you would use good business judgment and common sense.

Have you done so in the past with candidates for public employment?

The probabilities are that you did not pay the slightest attention to their selection; you left that for the party managers to attend to.

The Party Managers.

There is nothing the practical politicians in control of a political party delight in so much as a large campaign fund; not for educational purposes, but the very reverse; to deceive the honest citizen, and in influence the dishonest.

To secure this fund, the party managers must select those candidates only whom they believe will "play the game"; that is, abide by the decisions of the party caucus.

The party managers take their cue from the contributors, who in turn control the party caucus, and the result is just as certain as any other well planned business transaction.

The Voters.

As for the voters? Oh! they don't count after election. They have saved, or tried to save, their party, and having done their partisan duty, it is now up to the officials to do theirs, and then what a change.

The representative-elect is under no obligation to the voters; they belonged to, were owned by, the party; and their vote for him was simply an incident. They would have voted for his opponent, whom they had declared to be the meanest and worst man in the party, had he been nominated instead.

The public official's obligation is to the party machine and not to the party voter.

And the Party.

The political party is under no obligations to the voter who belongs to it, and has no thanks due for obeying the master's call.

The party could not have won without the campaign contributions.

Blind idolatry of, and obedience to, party is destructive of every function of true citizenship.

To become a slave of your party, is to become a slave of the very worst elements of your party.

Good Men Fallacy.

Under the present system as practiced by the two dominant parties, there is always a recognized "boss" or "leader" for each faction.

His aides are a few practical politicians, who are used to doing fine work. Long before the campaign, and before you have given any attention to it, this inner circle meets in secret, to talk matters over and fix things for the coming campaign.

Do they discuss principles? No! Principles are a nuisance. Their bi-annual harvest is approaching and prospective political patronage. What they want is a campaign fund. They plan accordingly.

If they think they have a safe majority, they will nominate the "faithful workers." If not, or if they are in a minority, they must select "some good men" who can draw votes from the opposition.

Now these "good men" are under no obligations to the voters. They are under obligation to the men who selected them, and secured their nomination and election. If they fail to "play the game" their usefulness to the machine ceases, and they are retired. A great many good, sincere, earnest reformers have had their wings clipped and public usefulness permanently destroyed by accepting a nomination and election to office on an old party ticket.

It is the good men and women who thoughtlessly perpetuate the bad system in control.

The good citizen who realizes the true duties of citizenship, who tries to reform one of the old parties from within, takes much greater chances than the good girl who marries a drunkard in hopes of reforming him. She occasionally succeeds; the former never has.

THE PROBLEM DISCUSSED.

The problem discussed in this book is not only nation-wide, but world-wide, and of necessity, for a work of this kind, to keep it within the limits for general circulation, much had to be sacrificed to brevity, and many points left undeveloped.

The new system of national bank credits versus government money.

Of government control as provided by the Constitution; or delegated control as per the Federal Reserve Act for private profit.

The inconceivable and rapid increase in private and public obligations payable in lawful money, and the rapid destruction, contraction, and concentration of lawful money, with which to meet these obligations.

The rapid concentration of our great industries in the hands of a few men who will soon control the money and the credit of the nation.

The preferences given by these men to foreign investments and developments over that of American development.

The great and unwarranted expense by taxation of the American citizens for the building and maintaining of a great navy to protect foreign investments, and enforce collections; and of a greater army to coerce American labor at home; are all involved in this revolution in our financial system, and briefly touched on in the limited space of this book.

I realize fully that much that should have been said has been left unsaid, and some statements made that may seem incredible.

I propose to continue a study of this problem, and earnestly desire that readers of this book will feel free to write me for further particulars and information along those lines.

I am sure that it will aid me in the continued study of this our greatest economic problem.

—THE AUTHOR.

A SPECIAL REQUEST.

Now that you have read the book through, I have a special request to make of you.

In exposing this great conspiracy, I have recalled many facts that students knew, but have not applied of late, or coupled them up, link by link, as they were patiently, persistently, and efficiently made, always under cover, or by false representations as to what was intended.

The chain of evidence is complete, though perhaps, to keep the book within the price I had planned, not developed sufficiently.

Probably you did not grasp the intent of the author in many of the earlier pages, until you had finished, and perhaps you will not now until you re-read the book.

For thirty years of a very busy life I have given this problem some study, with very limited material for research, and without the means to employ help.

Twenty-five years ago I clearly saw the possibility, and probability, of a private monopoly of our medium of exchange, and pointed it out in a text book prepared at the request of the National Farmers' Alliance and Industrial Union, of which I was President.

The average man looked upon it as an idle dream, and the beneficiaries of special privilege denounced it as wild-eyed, visionary, paternalistic, anarchistic, socialistic, and several other similar pet names.

I have watched the game as played, but not neither the time nor means to expose it. I now point to actual facts accomplished, the official policy for the future as outlined, the greed and ambition of the beneficiaries and the unpatriotic preference in sacrificing home for foreign development.

The study and exposure should be continued, and will be if this preliminary effort is sustained, which will be indicated by the sale of this book.

My special request is for your assistance, in circulation, in writing for, and giving information, and offering suggestions, all of which, including adverse criticism and corrections, will be appreciated; for I feel that another book should soon follow for the further development of this vital American labor problem.

—THE AUTHOR.

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